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FREE TRADE vs. PROTECTION

Free Trade vs. Protection

BY
AMASA M. EATON, A. M., LL.B.
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CHICAGO
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1913

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1913

Published June, 1913



W. F. HALL PRINTING COMPANY, CHICAGO

\$1.00

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PREFACE

THIS is not an attempt at a learned book on the vexed subject of free trade against protection. It is an attempt to interest the average American citizen in the subject, to show him what free trade is (meaning thereby a tariff for revenue only) and its advantages; and what protection is and its disadvantages. Statistics have been avoided as much as possible, as well as any elaborate citation of authorities for statements made. Entertaining a feeling of contempt for protection, I mean to be outspoken in denunciation of its pretensions, follies, absurdities, inconsistencies, arrogance, charlatanry and humbuggery. In my opinion, it is a fertile source of fraud and corruption, and its elimination as soon as is practicable, with due regard to the interests that have been fostered under its baneful influence, has now become a moral necessity. Detrimental to the interests of the consumer, it is also injurious to the producer, by inducing him to lean upon the government for "protection," instead of relying upon his own resources and powers.

My book is controversial, aggressive, and contemptuous, for it has been my purpose to give my protectionist antagonists the same treatment they

give free traders (meaning always by free traders those who stand for a tariff for revenue only).

If it be objected that I repeat myself over and over again, I admit it, and I reply that I have done so of set purpose, because through reiteration I hope to drive home my argument.

We Americans pride ourselves on our country, its size, its magnificent dual form of government, its wonderful natural resources in coal, iron, copper, gold, silver, forests, mountains, plains, prairies, lakes that are inland seas, the opportunities we offer to every comer, our public school system, our constructive and business ability, our great railroad systems, our inventive genius, our telegraphs and telephones, our banks, immense wealth, enormous volume of business, our cotton, wheat, corn, tobacco, etc., and, in general, our ability to take the lead and to beat the world in anything we choose to undertake. Indeed, we are credited not only with having this very high opinion of ourselves, but also with a certain measure of success that shows our claim is well founded.

Yet it is a certain source of satisfaction to foreigners when they find that, in spite of all these extravagant claims and success in establishing them, a majority of Americans admit that we cannot stand up against the inferiorities of the rest of the world unless we "protect" ourselves against them.

The remarkable part of this admission is that

the weaker the foreigner, the more ignorant he is, the less capacity or skill he has, the greater the necessity for protection against him. I confess I have never been able to get over the surprise with which I first learned of the absolute necessity as a *sine qua non*, if a country would succeed, of this kind of protection of the strong against the weak of this earth. I had always supposed that the weak needed protection from the strong, but I learned that the stronger and abler and more efficient a nation becomes, the greater is the necessity for "protecting" it against the inefficiency and incompetency of the weak. Mark Twain is the only writer who could have done justice to the logic of such a doctrine, and I will not pursue the subject further.

I maintain that the violent shock to importation by the Embargo Act and the War of 1812-15, with the legislation following that war, gave an impetus to the textile industries of cotton and wool and to the iron and steel industries that were all the protection they needed, if they ever needed any, which I deny; that they were successfully established businesses in 1846, when the Walker tariff was adopted, and long before that time, and from that day to this have never needed protection even if protection be sometimes allowable in such a case as that laid down by Mill.*

* *Principles of Political Economy*, bk. V, Ch. 10, §1.

I contend that the protection given by the tariff since the war has been a very saturnalia of protection, and that at this time this country is the last one in the world that needs protection or in which any good reason can be given why it should be continued.

With the expenses of the Civil War there came, necessarily, taxation to met those expenses. Everything was taxed, and, under the name of internal revenue, excise taxes were imposed. So long as the excise tax was equivalent to the import duty on the same article it made no difference to the country, nor to the consumer, whether the home-made article or the imported one was bought and used. The consumer paid the same price for either and the tax on either went into the treasury of the United States. But this balance was disturbed when the duty remained unchanged, and the excise tax was reduced and finally abolished. This was equivalent to increased protection, just as if the duty had been raised and the excise tax had remained as it was. Excise taxes were odious to our people and there was a clamor for their reduction and removal. Protectionists were adroit enough to see what an advantage they would gain by the course taken, and, so far as I am able to learn, no one pointed out adequately the wrong done by reducing excise duties without equivalent reduction of import duties.

Had the proper relation between the two been preserved we might have been during all these years,

and we might be now, under free trade, by which I mean a tariff for revenue only.

This failure of free traders to insist upon maintaining an equivalence between excise dues and tariff dues is but a part of the failure on their part to maintain the lead that was theirs prior to the Civil War through the success of the system looking towards free trade (meaning a tariff for revenue only), bound to end, if maintained, in such free trade. I am unable to say why free traders lost their grip after 1860. It will remain for some future historian to determine why it was that protectionists gradually took the initiative and soon became aggressive, dominant, and domineering; and such is their attitude now. It is an attitude of lordly superiority, of aggressive assertion of claims ever rising in the scale of contemptuous disregard of anything and everything militating against their theories, and this has resulted in a common belief on the part of a majority of the American people that a doubter of the virtues of protection is a man to be shunned, a man whose judgment is not to be trusted, and who, even if he has a right to doubt the merits of protection, ought to keep his views to himself. I think it is time for free traders (meaning those who want a tariff for revenue only) to quit the defensive and to take the offensive with some of the aggressiveness of protectionists. The spirit of satire and ridicule with which Bastiat and Sumner met the absurd claims,

sophistical reasoning, and charlatanry of protectionism should be encouraged and freely used by free traders. The fact that all through my book I am obliged to define what I mean by "free trade" when I use the term, shows how protectionists have succeeded in obscuring its true meaning, as well as the meekness and want of self-assertion with which free traders have calmly submitted to this obscuration.

I think, further, the time has come when free traders should dwell more not only upon the inherent immorality of protection, but also upon what I consider to be established fact—the fraud and corruption that protection breeds. No one can deliberately and judicially study the history of the successive tariff revisions of the past fifty years without coming to the conclusion that each one is attended by more and more misrepresentation, lobbying in its worst forms, and greediness in securing more special favor by each particular interest, combined with "log-rolling" or pooling of interests to secure benefits for all in the pool. So far has this been carried that it has become the controlling force in screwing up protection ever higher and higher, even when the mandate of the country has been in favor of reduction. While admitting the value of the researches of Edward Stanwood as published in his *American Tariff Controversies in the Nineteenth Century*, I think he is entirely in error when he says, "There has never been a time in the history of the

country when the predominant motive to protection was found in a selfish wish of manufacturers that the government should increase their profits by laying heavy duties upon foreign goods." He admits that such a motive has been present, and that it has been aggressive and occasionally offensive. Similarly, I admit that many protectionists are perfectly honest and sincere in their advocacy of protection, but I maintain that now and for many years our over-weighted system of protection has been and is maintained by the organized greed and selfishness of the great protected industries of the country, supported by the general ignorance of our people as to what free trade really is, and the aggressive, supercilious tone of protectionism, always on the alert to retain all the protection it has gained and to gain more whenever it can. Protection is the Old Man of the Sea that has got on our backs, and the question now is how we are to get rid of it.

I ask my readers to remember that by free trade I mean a tariff for revenue only. It might not be necessary to repeat this constantly, but protectionists perversely insist upon misusing the term and many persons who are not protectionists are so hazy in their understanding of what free trade is, that I am obliged to say over and over again that by free trade, I mean a tariff for revenue only. I do not mean by free trade the abolition of all custom houses, the abandonment of all duties on imports, absolute

free trade such as exists between the states of our Union. Great Britain is a free trade country in the proper sense of the term; she has custom houses and has a tariff for revenue only, with hardly any exception. Yet in the same breath protectionists will speak of England as a free trade country—and will ask you if, being a free trader, you intend to abolish all custom houses!

For their kindness in permitting me to use extracts from the undermentioned books, my thanks are tendered to authors and publishers: Miss Ida M. Tarbell, *The Tariff in Our Times*, the Macmillan Co.; Prof. F. W. Taussig, *Tariff History of the United States*, G. P. Putnam's Sons; Mr. Edward Stanwood, *American Tariff Controversies in the Nineteenth Century*, Houghton Mifflin Co.

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Free Trade *vs.* Protection

CHAPTER I

DEFINITIONS

MEANING OF THE WORD "TARIFF"

THE origin of this word shows the antiquity of protection and the hollowness and absurdity of the claim made by protectionists in the United States that it is an American system. Tarifa was a town and a castle, about twenty miles from Gibraltar, where Moorish pirates exacted tribute from passing vessels for about eight centuries during the Mohammedan sway in Spain. The same system has existed for centuries in China, under which "squeeze stations," so called, exacted and still exact tolls from every passing vessel. For ages the robber barons of European feudalism levied a similar toll on commerce. Adam Smith, in *The Wealth of Nations*, says, "The protection of trade in general from pirates and freebooters is said to have given occasion to the first institution of the duties of customs." When Mr. Roosevelt, in his carefully prepared address in Providence in August, 1912, spoke of "the prize money" of protection, his language was

logical, though it conceded more than he meant to concede.

As now carried out in this country, protection is the levying of a toll or tax, called a duty, for the benefit of those modern pirates and freebooters, the big interests and trusts. If objection is urged to the use in this connection of such hard words, we will soften our language by calling them, more politely, "privateers," since they are licensed by law to levy this prize money, more of which, Mr. Roosevelt says, ought to go to the working class. But whoever gave to protection the name of "the American system" was either ignorant of history or had unlimited audacity, for the system existed for centuries before the United States were dreamed of, and long before the laws of political economy were known.

LIMITED MEANING OF "PROTECTION" IN THE UNITED STATES

The particular meaning of protection, as the word is used in this country, is the system favored by Hamilton, for which much may be said in the infancy of a country, *i. e.*, the development of manufacturing industries by means of discriminating duties upon foreign manufactured goods. But the term has a much wider meaning, *i. e.*, all the means by which a country may undertake to secure the industrial and commercial development of all its resources. This

would include the broad field of the development of the welfare of the country, the making of thorough geological, botanical, and other surveys of the land, to discover and to open up the vast wealth of its natural resources in its mines, forests, fields, waterfalls, etc.; the establishment of experiment stations to test the usefulness of new crops and fruits; to study means for making all crops more bountiful, the improvement of stock, and the introduction of new kinds; the preservation of the country's wild animals, game, and fishes; the stocking of our forests and waters with game and fishes of improved quality; and, what is of more importance than all these, the care and improvement of the human race, mentally and physically; or, to sum it all up, the conservation and improvement of all the gifts of divine Providence.

A REAL AMERICAN SYSTEM

The true American doctrine is that of equal opportunities to all, so far as legislation is concerned, with no special privileges granted to any by legislation.

MEANING OF "PROTECTION" AS OPPOSED TO "FREE TRADE"

The word "protection" is used in a very different sense, a much narrower one—one, indeed, that means the exhaustion, instead of the conservation,

of such of our natural resources as it has succeeded in bringing under its blighting influence. As opposed to free trade, it means the protection (a) of the capitalists engaged in manufacturing, mining, etc.; (b) of the laborers engaged in the mills, machine shops, mines, etc., of these capitalists; or (c) of the consumers of their products. The latter may be dismissed at once from further consideration, for it cannot be claimed that consumers get any protection under this kind of protection. According to the unexpressed ideas of protectionists, they exist for the purpose of being exploited by the producers.

Protection for the benefit of the capitalist producers, or for the benefit of the laborers employed in such production, or for the benefit of both, is claimed to be secured through duties on manufactured or raw products brought into this country from other countries, the ostensible object of these duties being the raising of revenue with which to meet the expenses of government. But these two objects are antagonistic and inconsistent, for if duties are high enough to protect, they yield little or no revenue, while if they are low enough to yield revenue, they fail to protect. Protectionists answer this by citing the large sum produced by the tariff, running up into hundreds of millions of dollars, while the very existence of this large sum is cited by other protectionists, especially by those wanting protection who have not yet got it, as proof that the duties are not yet

high enough to keep out foreign goods. What they want is not protection, but prohibition. The history of the tariff is, therefore, a history of the struggle between those who want a tariff for revenue (which, as we shall see, is free trade) and those who want a tariff for protection, even prohibition if necessary, to keep out foreign goods; and of the legislation enacted for the purpose of bringing about one or the other of these results.

MEANING OF "FREE TRADE" AS OPPOSED TO
"PROTECTION"

Like the word "protection," the words "free trade" have many meanings. Primarily, they suggest freedom, the opposite of slavery, *i. e.*, liberty, the right to trade as one wills, without restraint or limitation. Such a conception of free trade is in keeping with our free institutions and with all the great principles of freedom of the Anglo-Saxon blood—a part of the very being of Englishmen and Americans, like free speech, a free press, free schools, a free ballot, a free church and churches. In the abstract, free trade is the application in economics of the principle of the freedom, the right, the liberty, of every member of the community to carry on any legitimate business as he pleases, with freedom to buy in any market and to sell in any market, free from interference. This is absolute free trade;

not, however, the free trade that is found anywhere between states, except within the United States. It is incompatible with the existence of a custom house where duties are collected upon imports to furnish funds for the expenses of government. We find, therefore, that the words "free trade" are used politically in a very different and much narrower sense. As opposed to protection, free trade means trade or commerce subject only to such duties on imports at the custom house as are necessary to raise revenue for the expenses of government; as opposed to that system, known as protection, that imposes duties on imports ostensibly to raise revenue for the expenses of government, but in reality to stimulate home production and to diminish, and finally to put an end to, the importation of such imports.

That eminent authority, David A. Wells, who began public life as an ardent protectionist, but who became a more ardent free trader, as the result of his practical experience and greater knowledge, defined free trade as the right of every man to exchange freely the products of his labor and services in such a way as may seem to him most advantageous, *subject only to such restrictions as the State may find it necessary to impose for the purpose of revenue* or to maintain the public health. Conversely, he defined it as the denial of the right of a free government to take arbitrarily from anyone any portion of the product of his labor, services, or skill,

for the benefit of another, without making compensation therefor.

The following definition is acceptable to free traders, and as it comes from a representative protectionist of high standing, it should also be acceptable to protectionists. I quote from the *Philadelphia American* of August 7, 1884:

The term free trade, although much discussed, is seldom rightly defined. It does not mean the abolition of custom houses. Nor does it mean the substitution of direct for indirect taxation, as a few American disciples of the school have supposed. It means such an adjustment of the taxes on imports as will cause no diversion of capital from any channel opened or favored by the legislation which enacts the customs. A country may collect its entire revenue by duties on imports and yet be an entirely free trade country, so long as it does not lay those duties in such a way as to lead anyone to undertake any employment or make any investment he would avoid in the absence of such duties. Thus, the customs duties levied by England, with a very few exceptions, are not inconsistent with her profession of being a country that believes in free trade. They either are duties on articles not produced in England, or they are exactly equivalent to the excise duties levied on the same articles if made at home. They do not lead anyone to put his money into the home production of an article, because they do not discriminate in favor of the home producer. It is, therefore, no

concession to the protective principle when the Democratic platform says that "since the foundation of the government, custom house duties have furnished its main source of revenue" and "this system must continue." A protective duty, on the other hand, has for its object to effect the diversion of a part of the capital and labor of the people out of the channels in which it would run otherwise, into channels favored or created by law.

I use the term "free trade" in the same sense that protectionists use it in when they say that England is a free trade country. The trouble with them is that they do not stick to that sense.

INSTANCES OF WANT OF UNDERSTANDING THAT FREE TRADE MEANS A TARIFF FOR REVENUE ONLY

In a speech before the Senate, April 29, 1909, Senator Rayner said:

The Senator from Rhode Island, in a brief discussion that took place a few weeks ago over the practice that obtained before the finance committee, boldly stated in this presence that a tariff for revenue and free trade were identically one and the same thing. This is the first time that I have ever heard the proposition thus announced. I have never come across a passage upon the pages of political economy; I have never heard a practical expert or statistician treat the subject from this standpoint. I have always considered that free trade between

this country and other countries meant the abolition of custom house duties, and, if I am permitted to say so, I think that the Senator confuses fair competition with free trade.

What a strange state of mind this shows! Here is Senator Aldrich, the great leader of the high protectionists, always ready to raise a duty, who admits (correctly) that free trade means a tariff for revenue. On the other hand is Senator Rayner, a Democrat, opposed to protection, who has never heard that a tariff for revenue and free trade are identically one and the same thing! It would be no more astonishing had he stated that he had never heard that England is a free trade country!

In 1883 J. G. Carlisle had not grown to an understanding of the term "free trade." He said:

In the broad and sweeping sense which the term usually implies, I am not a free trader. I will add that in my judgment it will be years yet before anything in the nature of free trade would be wise or practicable in the United States. When we speak of this subject we refer to approximate free trade which has no idea of cutting the growth of home industries, but simply of scaling down the inequalities of the tariff schedules where they are utterly out of proportion to the demands of that growth. After we have calmly stood up and allowed monopolies to grow fat, we should not be asked to make them bloated. Our enormous surplus revenues

are illogical and oppressive. It is entirely undemocratic to continue these burdens on the people for years and years after the requirements of protection have been met, and the representatives of these industries have become incrustated with wealth.

Even Stanwood, clear thinker and exact writer as he is, sometimes seems confused in his use of the term free trade. Thus (Vol. 2, p. 210)* he says, correctly, "The revenue reformers, or free traders, were aggressive, patient, persistent, . . ." etc. Again (p. 227), he says, correctly, ". . . free trade, that is, to a system of tariff taxation which not merely does not give 'incidental protection,' but is contrived with the express purpose of excluding protection." But at the foot of page 229 he says, "Now they were, in following the recommendations of the President, to base their action upon the stock arguments, the only logical conclusion of which was absolute free trade." Herein he is entirely in error and confused in thought. No free trader (meaning one who believes in a tariff for revenue only) is an absolute free trader, nor does he seek the abolition of our custom houses. An absolute free trader is one who would abolish all custom houses, and, therefore, he does not believe in a tariff for revenue only—he would have no tariff at all, no revenue from a tariff. The position really held by free traders (meaning those who believe in a tariff for revenue

**American Tariff Controversies in the Nineteenth Century.*

only) cannot be better expressed than in Stanwood's own words (p. 231), "The theory which he and his party associates held, that the tariff must be reduced in the interest of the great body of the people, and with no other tenderness for the so-called rights of manufacturers than was necessary to avoid a too abrupt and injurious change . . ."

MEANING OF A TARIFF FOR REVENUE WITH INCIDENTAL PROTECTION

A tariff for revenue with incidental protection is one based upon the supposition that, by arranging a scale of duties so moderate as only to restrict and not to prevent importation, it is possible to secure revenue for the government and to stimulate domestic manufactures at the same time by thus raising the price of competitive foreign goods. This double object is undoubtedly possible, but it is one of the most costly of all the methods of raising revenue. For, while revenue to the government accrues only from the duties levied and paid on what is imported, another and a much greater tax is paid by all the consumers of the country on the domestic products thus "protected," sold, and consumed in place of the foreign products thus kept out of the country. It is attended by the further disadvantage that as imports are thus kept out of the country exports of our own products are kept in the country; for commerce or

trade between the merchants of different countries consists in the exchange of goods, products, etc. There cannot be exports unless there are imports; there cannot be imports unless there are exports. We cannot become great exporters unless we become great importers. When we shut out foreign products we shut in home products. The same Chinese wall, the tariff, that keeps out foreign goods keeps in home goods. A tariff for revenue so adjusted as to afford incidental protection is, therefore, a system that requires all consumers—that is, the whole people—to pay much in order that the government may receive a little. The difference is an extra profit pocketed by the manufacturers or the protected interests, or it is so much less loss than the inefficient among them would otherwise suffer if their business be of such a nature that it could not be carried on profitably without protection except through high efficiency. Again I repeat the term “free trade” is used in two different senses. It may mean absolute freedom of trade (and the closing of all custom houses) or it may mean the opposite of protection, *i. e.*, customs duties, properly levied, for revenue only. I repeat this because protectionists will persist in using the term sometimes in one sense, sometimes in the other sense, and sometimes, when unusually perverse, they use it in both senses at the same time.

This tendency of protectionists to use the term

"free trade" with a wrong meaning is illustrated by what Representative Fairchild of New York said in a speech in Congress, February 14, 1911, "Scratch the skin of the average 'tariff for revenue only' Democrat and you will find the blood of a free trader." Here we see the sophist confounding the real meaning of the words he uses, probably purposely, in order to arrive at a result that he must know is false. If he does not know it, he ought to. The tariff for revenue man *is* a free trader, be he a Republican or be he a Democrat; the free trader *is* a tariff for revenue man, be he a Democrat or be he a Republican.

In a speech in 1882 Senator Frye of Maine said:

I am a protectionist from principle. If there were no public debt, no interest to pay, no pension list, no army and no navy to support, I still should oppose free trade and its twin sister, tariff for revenue only, and favor protective duties.

One may excuse a good deal as the mere exuberance of unpremeditated oratory, but one does not expect to meet such ignorance in an educated United States Senator.

Let it not be forgotten that revenue through customs duties is received only as foreign goods are let in, while protection operates only in so far as foreign goods are kept out. The two are antagonistic, not part of one whole.

MEANING OF A TARIFF FOR REVENUE ONLY

A tariff for revenue only is a tariff so framed that the government shall receive all the duties paid by the people and that no money in the form of increased prices because of the tariff, shall be paid by consumers to producers. If duties are high enough to stop imports, no revenue is received by the government, yet consumers pay nearly the same high prices for all the home products they buy as if they were all imported and paid the duties. So the consumers pay nearly the same sum as the duties (besides the real cost of the goods), but to the producers and not to the government. All duties on imports should now gradually be so fixed as to yield the greatest revenue to the government. It frequently happens that a reduction in a duty brings about an increase in revenue, the larger amount imported in consequence of the reduction, more than making up for the loss through the lower rate. The problem of the American statesman today is to keep on gradually reducing the duty so long as the revenue therefrom increases in amount. When duties gradually reduced bring less revenue, then the rates are too low (if the object be to produce the largest revenue possible). When there is a surplus, duties may be so far diminished as to stop any increase of surplus.

Professor Taussig says that the claim that any

duty whatever is inconsistent with the principles of free trade (meaning by free trade a tariff for revenue only) is erroneous, for it is only the duty that causes the substitution of a domestic product for an imported product that conflicts with the principles of free trade.

Profesor Perry thus defines free trade:

Free trade is the opposite of protection so called, and not of customs duties properly levied for revenue, . . . and is completely realized in any country whenever any tariff tax is laid solely for the sake of the revenue to be derived from it. When used in its legitimate sense, the word "protection" is an honest and needful word: when used in reference to tariff taxes it is full of deceit.

Professor Sumner calls free trade "a mode of liberty."

Of course, where the principle here contended for is consistently followed, a duty at the custom house on an article must be accompanied by an excise or internal revenue tax of the same amount on the domestic product. The two systems of taxation operate only to bring in revenue to the government, without interference with the laws of trade or influence upon the development of industries within the country, and everyone is left free to buy either the domestic or the foreign product, according to his taste or his purse.

Both terms, "free trade" and "protection," are unfortunate, for both have two or more meanings. "Free trade" is not absolute free trade, and "protection" does not protect, in the sense in which the term is misleadingly used by protectionists. "Free trade" means only so much free trade as is consistent with the admitted necessity of raising revenue through customs duties. "Protection" protects only the pocket of the manufacturer, not that of the workman, nor of the consumer. The first term is used incorrectly by protectionists to cast discredit on free trade in its meaning as used by its adherents (a tariff for revenue only), while the second term is used in a sense that throws a false glamour over it. There is no political party in this country seeking absolute free trade—the abolition of all duties, with consequent abolition of our custom houses. But the country is awakening to the fact that protection, as now carried out, results in prize money, a plundering of the many for the benefit of the few. Instead of "a more equitable division of the prize money" that Mr. Roosevelt calls for, let us slowly, gradually, efficiently, modify and finally abolish or reduce to its lowest terms, the abominable system.

Free trade is in harmony with the spirit of progress of our people and our age, while protection is directly opposed to it. We are steadily progressing in the direction of freedom in many different ways: freedom of the person, and this has resulted in the

abolition of slavery; freedom of opinion; freedom of the press; freedom of the state from any church, and of all churches from the state; freedom of travel, with the right of expatriation, freedom to choose one's country. It is strange that a great American political party, accepting the moral principle of personal freedom, or liberty, and the abolition of slavery, should have gradually fallen a victim to the wiles of the economic slavery of protection, the negation of freedom of trade. The spirit of free trade is the spirit of peace and good-will to all on earth; the spirit of the golden rule, to do unto others as we would have them do unto us—that cardinal principle and the real essence of Christianity. In a notable sermon a leading divine has said that no one can be both a protectionist and a Christian, for protection is the denial of the golden rule. When protectionism recognizes the principle, as it does, that the government may take a part of one man's industry, through taxation, to enable another man to carry on a business he could not otherwise carry on, it is engaged in socialism of the worst type.

CHAPTER II

COMMERCE

COMMERCE IS EXCHANGE WITH BENEFIT TO BOTH
PARTIES

LET us begin with some of the elementary principles of commerce. Take the case of two boys, A. and B., who swap jackknives. A. wants to swap because B.'s knife has a large blade that he, A., wants for some particular purpose. B. wants to swap because A.'s knife has a small blade that he, B., wants for some particular purpose. They swap, and both gain by the transaction. Here you have an epitome of all commerce. It is trade, barter, exchange of something for something, with benefit to both parties to the transaction. If money enters into it the result is the same, *whether they are in one state or are separated by a state line*. Now, let us suppose that A. stands in Maine and B. stands in Canada and the swap above described takes place across the imaginary line constituting the boundary line between Maine and Canada. Do the two boys cease to gain something by their exchange of jackknives? The free trader (meaning always one who believes in a tariff for revenue only) answers that it makes no difference whether both boys are in the same state

or in different states; that what is true of this trade between two boys would be equally true of trade or commerce between ten, a thousand, or a million men trading with each other; whether all were in Maine or all in Canada; whether some were in Maine and others in other states of the Union, or in any other part of the world; or whether all were on the earth or some up in the air in balloons or aeroplanes and some in mines in the bowels of the earth.

A CASE OF BARTER

Suppose A. wants B.'s knife so much that he offers B. something to boot, say, a top. Is the exchange any the less advantageous to both? A. would not make the offer did he not think so. B. would not accept it did he not also think it would result in advantage to him also. We trust them and all others to make their own trade or to learn to trade differently the next time. Again this is but an epitome of commerce. What is true of these two boys is true of all mankind. They engage in commerce because it is mutually profitable. Were it not, commerce would stop.

Suppose that, instead of giving a top to boot, A. gives a cent besides his knife in exchange for B.'s knife. Or suppose, foreseeing he may some time need his knife again, A. keeps it and pays B. two cents for B.'s knife. Does that make any difference?

In all these cases, whether it be boys swapping jack-knives by barter or by purchase and sale for money, or a multitude of men engaged in commercial transactions with each other, the answer of the free trader is the same: Let them alone; let them make their own bargains. We omit here the necessity that governments are under of raising a revenue, to consider it later on.

Free trade between the inhabitants of different States benefits them all. It makes no difference whether these states are states of a union or whether they are states that are not united; whether they are *States* spelled with a capital S or *states* spelled with a small s; whether they are contiguous states or states that are as far apart as the poles.

Protectionists deny this; they claim that, while the inhabitants of the same state or union of states may safely be left to trade with each other as they please, they must not be allowed to do so if they are at opposite sides of the boundary line between two states, except under state regulation. They assign at least two reasons for this difference. They are important and will be considered in detail later; at present I shall only state them:

1. Because the inhabitants of one country will grow richer and those of the other country will grow poorer.

Therefore, the state must interfere and tax the commerce of these people with each other. This

rests upon belief in the Mercantile Theory of Commerce, of which more later.

2. Because the inhabitants of a country should produce all that is needed in that country.

Therefore, the state must discriminate and favor production by customs duties on what they think should be produced at home, rather than elsewhere, and should repress imports by taxing them.

Protectionists favor intrastate commerce, but not interstate commerce, (with other nations).

Protectionists draw a line against freedom of commerce just where race or political or religious differences have placed it, *i. e.*, the boundary line that separates one country, state, or nation from another country, state, or nation. They would change it at every change of boundary line. Intrastate freedom of commerce is all right, they say, but interstate freedom of commerce is another matter.

Protectionists are not cosmopolitan—their horizon is limited to their own nationality. Free traders are broader-minded, and “no pent-up Utica contracts their powers.”

COMMERCE IS TRADE BETWEEN MEN, NOT BETWEEN COUNTRIES

Protectionists constantly err in treating commerce as taking place between countries, whereas it takes place only between men. Moreover, the men en-

gaged in commerce may be inhabitants of one country or of different countries—that is, an American living in New York may engage in commerce between some port in China and some port in Japan; an Englishman living in India may engage in commerce between some port in Japan and some port in China; or a German living in Paris may engage in both branches of such commerce and carry on commerce not only between some port in China and some port in Japan, but he may also engage in commerce between some port in Japan and some port in China. There is no end to the possible complications of relationship between men engaged in commerce. They have one common feature that protectionists are unable to grasp—that commerce results in economic advantage to the men on both sides engaged in it, and also to the inhabitants of both countries who buy or sell these imports, or who sell or buy these exports. Were this not so, commerce would come to an end. It is only by a figure of speech we say that countries trade with each other. Taken literally, we are led into error. To say that nations engage in commerce is a mistaken figure of speech carelessly indulged in by loose-thinking protectionists.

Even Stanwood speaks of exporting and importing as being carried on by countries,* “Not a single

**American Tariff Controversies in the Nineteenth Century*, vol. 2, p. 68.

example can be cited of a serious decline in the imports of one nation from another because of a refusal of the second country to buy the products of the first. On the other hand, examples by the score can be had, taken almost at random, of increasing export trade to one country by another which placed great, even prohibitory, obstacles in the way of importations from the country to which it sold freely." It will be claimed that it is only a figure of speech that is used when we speak of countries as exporting and importing, to which the reply is that figures of speech are to be avoided when we are trying to deal with definite conceptions. The use of figures of speech in a different sense than the natural one of the words used, certainly conduces to looseness of thought, and that is perhaps the reason why we gather from the whole of the page noted that the author fails to realize that the operations of commerce may affect at the same time the interests of the inhabitants of several countries.

COMMERCE IS MUTUALLY BENEFICIAL, WHETHER
BETWEEN THE INHABITANTS OF ONE STATE
OR OF DIFFERENT STATES

Suppose the Mississippi River divided the United States into two countries, would not Texans still be benefited by exchanging their cotton for hay, potatoes, or white pine lumber from Maine? Maine might tax imports of cotton into Maine and force

her citizens to raise cotton under glass (to *protect* this infant industry). But she would lose her Texan market for her hay, potatoes, or white pine, or perhaps all of them. Texas might tax the hay imported from Maine and force her citizens to raise Bermuda or some other grass as a substitute (to *protect* this new and feeble industry), and Texans might substitute home-raised sweet potatoes for Maine potatoes. But then Texans would lose their market in Maine for their cotton. The same results would follow whether Maine and Texas were in the same country or in different countries. If the Civil War had resulted in the dismemberment of our country and we were now forty-eight independent states instead of being the United States with forty-eight component states, free trade would equally be an economic advantage to all.

COMMERCE BENEFITS BOTH PARTIES

If, in a primitive condition of society, one man makes all the shoes and another makes all the coats, and the shoemaker exchanges a pair of his shoes for a coat of the coatmaker, both are benefited or they would not make the exchange. If the coat is worth more than the shoes and the shoemaker pays a dollar and a pair of shoes in exchange for the coat, again both are benefited. If the shoemaker keeps his shoes and pays ten dollars for the coat, still both profit. And it makes no difference where they live, whether

in the same state or country or in different states or countries. In every case each one has obtained what he wanted more and has parted with what he wanted less. Multiply by millions the number of persons trading with each other and the result is the same. Man cannot improve upon the economic laws of nature. It is only because of the necessity for a revenue with which to pay the expenses of government that he is warranted in interfering, and the less he interferes, the better.

EXAMPLE OF THE BENEFICENT RESULTS OF COMMERCE

Merchant A. (it matters not what his nationality nor where he lives) sends a vessel from New York to some port in Europe, laden with grain, or some other American product that has cost him \$200,000, according to the custom house entry. A. sells the cargo at ten per cent profit on its original cost after paying all expenses, or \$20,000. (We leave out of account the foreign duty, for it is paid ultimately by the foreign purchaser-consumer.) A. directs that his proceeds of the sale of this cargo be put into specified foreign products for which there is a good demand in the United States. When this cargo reaches New York it may have cost ten per cent additional for the expenses incurred, or \$242,000 in all, at which valuation it is entered in the New York

custom house. A. then sells the return cargo at ten per cent profit on its cost in Europe, or \$22,000 after paying all expenses, leaving out of account the American duty, which is paid ultimately by the American purchaser-consumer. Along comes a protectionist, a believer in the effete system of political economy taught everywhere until Adam Smith, in *The Wealth of Nations*, taught the world better, and, upon examining the custom house records, he learns that A. has exported \$200,000 worth of American products and has imported \$242,000 worth of foreign products, and he comes to the sapient conclusion that, as this country has exported \$200,000 worth of American products and has imported \$242,000 worth of European products, she has spent \$42,000 out of her capital, is rapidly impoverishing herself, and is therefore on the road to ruin, remembering always that our example deals with one case only, while his examination of the custom house records deals with thousands of such cases.

But A. has on deposit in his bank in New York his two profits, one of \$20,000 on his outward venture and another of \$22,000 on his homeward venture, \$42,000 in all. Is it possible that he and all other merchants like him do not know their own business and are all growing poorer, while they think, and their books of account and their bank deposits show, they have grown richer? Yet pro-

tectionists tell us that they only are practical men and that free traders are visionary, academic men, knowing nothing of the practical business interests of the world.

FALLACY OF THE NOTION THAT COUNTRIES TRADE WITH EACH OTHER

You must have noticed that this protectionist thinks that *this country* has spent \$42,000 by exporting \$200,000 worth of American products and by importing \$242,000 worth of foreign products. But we know that both the exporting and the importing were done by merchant A. and not by the United States. We say further to our protectionist friend that, as in return for \$200,000 worth of American products, \$242,000 worth of foreign products have been sent over here, we have gained \$42,000 by the transaction. No, answers our protectionist friend, we have to pay for this balance by sending \$42,000 to Europe, and therefore this country is \$42,000 poorer. The "balance of trade" is against us; we are importing more than we are exporting, and unless we stop it the country will be drained of its gold and we shall be ruined!

AN APPARENT EXCESS OF IMPORTS OVER EXPORTS SHOWS ENRICHMENT, NOT DEPLETION

Is it not clear that the American merchant is enriched by selling his cargo in Europe by the profit

he makes of \$20,000, and that, having this profit to his credit in Europe, where, perhaps, he does not live and does not want it, and being desirous of getting this profit as well as his capital over here, where, perhaps, he does live and where he wants both capital and profit, he has two ways of accomplishing this result? He may have both remitted to him, either in coin or by draft; or, being a merchant and knowing what goods he can import at a profit because he knows they are wanted by Americans, he decides to put both his profit of \$20,000 and his principal of \$200,000 into European goods or products, that will sell here for more than their cost in Europe. On this he makes his second profit.

Now the protectionist maintains that if he sends back his profit of \$20,000 in coin along with his capital of \$200,000 in coin, the country is enriched, but if he sends back the same amount in European goods or products the country is depleted and is poorer. Is it not obvious that in either case the country is enriched, or, to be exact, this merchant is enriched? An excess of imports over exports shows, therefore, enrichment, not depletion.

COMMERCE BENEFITS THE INHABITANTS OF BOTH COUNTRIES

On the first venture, the outward voyage, A. has supplied Europeans with something they wanted more than they did their money, which they ex-

changed for it. They exchanged what they wanted less (their gold coin) for something they wanted more (the American products or articles they bought with their coin). A. exchanged what he wanted less (his American products) for something he wanted more (the Europeans' gold coin), and both gained by the exchange, as did the two boys when they swapped jack-knives.

The same reasoning applies to A.'s home cargo. He exchanged it in the United States for what he then wanted more (American coin or money) and the American purchasers exchanged what they wanted less (their coin or money) for something they wanted more (A.'s European articles). And when A. did this with his homeward cargo he did it because he got more money than the cargo cost him.

THIS MUTUAL BENEFIT IS IRRESPECTIVE OF THE
RESIDENCE OF THE MERCHANT EFFECTING
THE EXCHANGE

In the above illustration we have supposed that the exportation and importation were both done by an American. Of course one American merchant might have carried out the exporting and another the importing. Or suppose that either or both were by Europeans, what difference does it make? And the American or Americans might be living abroad

or the European or Europeans might be living here while carrying on such commercial transactions; and, again, what difference does that make? Are not the inhabitants of both countries, who have obtained what they wanted more in exchange for something they wanted less, equally benefited? What power on earth could have forced these collections of the scattered inhabitants of different continents to make these exchanges unless they all received some benefit by it?

When Talleyrand, a citizen of France driven out of England by war between England and France, fled to the United States and engaged in the business of exporting American cotton to Europe, were not the cotton planters of our Southern States who sold him the cotton and the cotton spinners of England who bought it of him both benefited? And what difference did it make where he lived? Of course he was entitled to his share of the gains for conducting these exchanges.

FURTHER ILLUSTRATION OF THE BENEFITS OF COMMERCE

Let us suppose that another merchant, B., residing perhaps in Europe, undertakes a venture similar to A.'s by sending a cargo of European products of the same value to the United States, where he sells his cargo and puts the proceeds into a return cargo

of American products which he sells in Europe. And let us suppose further that he realizes the same profits on both voyages that A. did. It is evident that the transfer of the principal and the profits of the American merchant is balanced by the transfer of the principal and the profits of the European merchant and there is no "balance of trade." Even before the return voyage of either, as well as afterwards, the sum of the imports was equal to the sum of the exports. Both merchants are richer by the profits they have made, and the inhabitants of both countries are richer, for certain inhabitants of the United States have got what they needed more in exchange for something they needed less and certain inhabitants of Europe have done the same. There has been an economic gain all around and the merchants who managed these exchanges have received their reward for doing so.

MORE ERRONEOUS PROTECTIONIST FIGURING

We will suppose that A. undertakes another venture of the same kind. Again he sends to Europe from the United States a cargo costing him \$200,000. But the vessel founders in a gale on the outward voyage and everything is lost. He charges off on his books a loss of \$200,000. Along comes the same benighted protectionist antiquary in economics, and, finding on the custom house rec-

ords that \$200,000 of American products has been exported, with no imports to offset it, he comes to the conclusion that the country has made a gain of \$200,000 in exports!

If B. makes the same second experiment with the same result of losing the whole venture, the same sort of European protectionist, examining the custom house records of the country the ship sailed from, would come to the same sapient conclusion as to the gain by B.'s country. But A. and B. know better. They know they have gone through unfortunate experiences and are poorer. Such is the danger that arises from the use of figures without knowing what stands behind them, especially when so used by protectionists who deride free traders as visionary and impractical.

INCREASE OF EXPORTS IS NECESSARILY ATTENDED BY INCREASE OF IMPORTS

Exports are often supposed to be of more importance than imports, and hence the attempts of protectionists to foster our exports and to repress imports (by taxing them through customs duties). This is due to the mistaken notion that commerce benefits one party and injures the other and that, by superior Yankee cunning, with the aid of "protection," we can so arrange our commerce with the rest of the world that Americans will grow richer

by it while all foreigners will grow poorer. It has been bolstered up by that pure fiction of untrained imagination, without regard to facts, that we are becoming poorer if we import more than we export and are growing richer if we export more than we import, measured in terms of money. Only a few years ago even thinking men were alarmed if the results of a year's commerce showed what was called "a balance of trade against us" to be settled by the shipment of gold. If this alleged balance were settled by the shipment of pig iron or copper bars, no one would worry, but when settled by the shipment of gold it was thought that the country was growing poorer—oblivious of the fact that we sent abroad whatever there was more demand for there than here, and must expect to receive in return whatever there was more demand for here than there—prices being the registers of these respective demands. This may be iron or copper or gold or other commodity constituting wealth. Gold, then, is a commodity, like other products of man's labor, and, like other commodities, it flows from any place where it is less needed to any place where it is more needed; and in return some other commodity flows back to replace it from the place where it is less needed to a place where it is more needed, to the benefit of both parties. Commerce is not a one-sided transaction, therefore, but a system of exchange carried on with mutual benefit to all.

Exporting is as necessary as importing, importing is as necessary as exporting, one cannot exist without the other, as one increases, so does the other.

CHAPTER III

COMMERCE (CONTINUED)

THE SUM OF THE IMPORTS IS EQUAL TO THE SUM
OF THE EXPORTS

EVEN if at the end of a year there is apparently a balance one way or the other, what of it? There seems to be in popular belief some mysterious virtue attached to the period of time in which the earth revolves around the sun and the supposition that commercial intercourse between the inhabitants of different countries must come out square at the end of that period, known to us as a year. When we say that the sum of the imports is equal to the sum of the exports and that when one increases so does the other, what is meant is that this is a general statement that is true in the long run. They may not balance in any one day, one month, or one year, but in the long run, to vary the form of this statement, the sum of the exports is equal to the sum of the imports. Nor is this statement to be limited in its operation to commerce between the inhabitants of two countries only. If our exports to the inhabitants of country A. are five hundred millions in amount and our exports to country B.

are also five hundred millions, and our imports from the inhabitants of country B. are one thousand millions, it is evident that the sum of our imports is equal to the sum of our exports. How is the five hundred millions of exports to the inhabitants of country A. to be paid for? By exports by the inhabitants of country B. and of other countries indebted to the inhabitants of country B. to the inhabitants of country A.; so that in the end, by such a tripartite or multipartite settlement, the result is reached that the sum of the imports by the inhabitants of all countries is equal to the sum of the exports of the inhabitants of all countries, and all accounts are settled to the benefit of all concerned.

The following extract from a speech by Clay* shows that he perceived that the sum of all imports is equal to the sum of all exports:

However the account may be made up, whatever may be the items of a trade, commodities, fishing, industry, marine, labor, the carrying trade, all of which I admit should be comprehended, there can be no doubt, I think, that the totality of the exchanges of all descriptions made by one nation with another, or against the totality of the exchanges of all other nations together, may be such as to present the state of an unfavorable balance with the one or with all. *It is true that in the long run the measures of these exchanges, that is, the totality in value*

* *Annals of Congress*, Eighteenth Congress, first session, p. 1891.

of what is given and of what is received, must be equal to each other. [Italics are mine.] But great distress may be felt long before the counterpoise is effected. In the meantime there will be an export of the precious metals, to the deep injury of the internal trade, an export of public securities, a resort to credit, debt, mortgages.

It is with the last part of this extract that free traders disagree. An export of the precious metals is no more feared by us than an export of metals not precious—or any other export. Webster called this fear of Clay's nonsense.

Fault being found with him, he replied (Annals of Cong., 18th Cong., 1st Session, p. 2045): Some days ago the balance of trade made its appearance in debate, and I must confess, sir, that I spoke of it, or rather spoke to it, somewhat freely and irreverently. I believe I used the hard names which have been imputed to me; and I did it simply for the purpose of laying the specter and driving it back to its tomb. Certainly, sir, when I called the old notion on this subject nonsense, I did not suppose that I should offend anyone, unless the dead should happen to hear me. . . . Let us inquire, sir, what is meant by an unfavorable balance of trade, and what the argument is, drawn from that source. By an unfavorable balance of trade, I understand is meant that state of things in which importation exceeds exportation. To apply it to our own case, if the value of the goods

imported exceed the value of those exported, then the balance of trade is said to be against us, inasmuch as we have run in debt to the amount of this difference. Therefore it is said, if a nation continue long in a commerce like this, it must be rendered absolutely bankrupt. It is in the condition of a man who buys more than he sells, and how can such a traffic be maintained without ruin? Now, sir, the whole fallacy of this argument consists in supposing that whenever the value of imports exceeds that of exports, a debt is necessarily created to the extent of the difference: whereas ordinarily the import is no more than the result of the export augmented in value by the labor of transportation. The excess of imports over exports, in truth, usually shows the gains, not the losses, of trade; or in a country that not only buys and sells goods but employs ships in carrying goods also, it shows the profits of commerce and the earnings of navigation.

England, richer every year, imports every year more than she exports.

COMMERCE IS THE INSTRUMENTALITY WHEREBY
ECONOMY RESULTS TO BOTH PARTIES EX-
CHANGING COMMODITIES

By means of commerce the inhabitants of all countries exchange what they produce the most economically for what the inhabitants of other countries produce the most economically. All effect a saving

thereby and a portion of it goes to the merchants conducting the exchanges. As Emerson said of his fellow travelers on a long ocean voyage in a sailing vessel: "We exchanged experiences and all learned something," so, when commerce is free and unfettered, the inhabitants of all countries exchange their products and all gain something, just as when boys swap jackknives they all gain something.

ANY TAX UPON THE EXCHANGE OF COMMODITIES IS
A FETTER UPON COMMERCE

The problem of the statesman is to limit this fetter, to make it as light as possible, *i. e.*, to impose a tax for revenue only. This is "free trade" in the proper sense of the term, as opposed to "protection," which seeks to foster an industry that otherwise could not be carried on without loss, and, as the system has now been developed, to enable the inefficiently managed mill or industry to continue dividends without improvement or increase in efficiency. If a tax or impost duty be actually paid—that is, if goods are imported and the duty paid—it is actual revenue received by the United States. But to serve its true purpose of starting and keeping alive an industry that without it could not be carried on, the duty must be high enough to interfere materially with or to stop the importation of the protected article. If it stops all, or nearly all, importation,

the government receives no duty or but a little, while everyone pays nearly the whole of the duty just the same, in the enhanced price of the article due to the tariff; but instead of its going into the treasury of the United States it goes into the treasury of the protected trust or other producer. Protective taxes are therefore the tribute we pay our enterprising home producers to hire them to carry on some losing business they would not otherwise undertake, by thus taxing ourselves to pay them this tribute.

At last our people have waked up to an appreciation of what this means and are inquiring how it benefits us all to tax all of ourselves to enable a comparatively few of ourselves to carry on some otherwise unprofitable business. Of course it benefits pickpockets to take other people's money and put it in their own pockets—but how does that benefit those whose pockets are picked? What if the pickpockets can get rich quicker by being protected while they pick the pockets of all the people, how does that benefit all the people?

PERSISTENCE OF THE NOTION THAT THERE IS MORE PROFIT IN EXPORTING THAN IN IMPORTING

United States consuls are directed to study and report upon means to secure greater consumption of American products. Why is not our Government equally concerned in the study of means to increase

imports? Evidently because of the lingering belief that the profit in commerce consists in exporting rather than in importing. But we know there cannot be exporting without an equivalent amount of importing, that both are profitable and are profitable to both parties.

Prussia still makes special rates on her state-owned railroads for goods to be exported, on the ground that exporting should be encouraged. But as exporting depends on importing, the same favor should be extended to imports.

“CUSTOMS” INCLUDES DUTIES ON EXPORTS AND
ALSO ON IMPORTS

Section 8 of Article 1 of the Constitution of the United States gives power to the congress “to lay and collect taxes, duties, imposts, and excises.” Exports are not included, and, therefore, Congress has no power to lay and collect taxes on exports, for the power of the federal government is limited to the powers expressly granted or implicitly included as necessary to the exercise of powers expressly granted. To Americans generally, the word *customs* suggests duties on imports, because we have laid a duty on imports only, ever since the adoption of our Constitution, as above explained. But duties on exports and duties on imports are equally customs. The word was first applied to the duty on

exports paid to the king for permission to export. See 1 Blackstone's Commentaries, 313, where customs are defined as "the duties, tolls, tribute or tariff, payable upon merchandise exported and imported." By the express words of the statute of 25 Edw. 1, c. 7 (1297), the king promised to take no customs from merchants, without the common assent of the realm, these customs being the *customary* duties on the exportation of wools, skins, and leather.

That duties are not levied on exports any longer is probably due to the idea that exports are to be favored. If there were any real sense, any real basis, in "protection," duties should be levied on exports because they would be paid by the foreign consumer and there should be no duty on imports because they are paid by our own citizens, the very ones we want to protect.

As another result of the notion that exports are to be fostered and imports discouraged, look at the maximum and minimum provision of our tariff, providing for an advance of twenty-five per cent as a means of retaliation upon any country that "unduly discriminates" against the United States or its products by "tariff rates or provisions, trade or other regulations, charges, exactions, or in any other manner, directly or indirectly, or imposes any export duty or prohibition upon the exportation of any article to the United States . . ." leaving the right

to apply this provision in the discretion of the President of the United States.

This is upon the doctrine that the benefits of foreign trade consist in exports and that imports are to be discouraged except as to articles not produced here, or that will not compete with our products. It is thereby assumed that restricting imports cannot injure us, but may be used to injure exporters from other countries, as a penalty for tariff regulations of those other countries, supposed to be injurious to our export trade. This is a basis for retaliation, but retaliation never benefits either the importer or the exporter, nor those for whom the importing and exporting are done. Although in effect nearly four years it has never been applied, and it should now be swept away.

THE SUM OF ALL IMPORTS IS EQUAL TO THE SUM OF
ALL EXPORTS

At the risk of continued repetition of the same fact, I must reiterate this statement. If our exports are one dollar or one thousand million dollars in amount, our imports are the same. No country has exports without imports, no country has imports without exports. The sum of the one is the same as the sum of the other. If there are no imports in Patagonia, at the North Pole or the South Pole, it is because there are no exports there. The folly

of protectionism consists in the hallucination that we can foster and increase our exports and at the same time repress and diminish our imports, and then collect the difference in gold. The protectionist wants to see large exports of American products. To be consistent, he should foster this policy by paying a bonus or subsidy on all the gold sent into this country and at the same time he should put so high a duty on every other import as to keep out every import except gold. It would be the best get-rich-quick scheme yet devised!

FOREIGN GOLD, THE PRODUCT OF "CHEAP PAUPER LABOR," SHOULD BE KEPT OUT OF THE COUNTRY, ACCORDING TO PROTECTIONISM

Upon second thought, however, this will not do, for, in accordance with the principles of protectionism, we must admit that the gold of the world, outside the United States, being produced by "cheap pauper labor," must not be allowed to come into this country to compete with our noble American gold, the product of American high-priced labor. Is it not evident that, in accordance with "the scientific doctrines" of "the American system" of protection to everything American, all ignoble, base, foreign gold, the product of "cheap pauper labor," should be kept out of this country by a high duty, so that American capitalists and American laborers

may be stimulated to produce our own gold? How does it happen that this "infant industry" has escaped the paternal care of protection? For these arguments are precisely those that have been advanced *ad nauseam* and have secured adoption with regard to coal, iron, copper, salt, borax, nickel, etc. If the California miners of 1849 had only had wit enough to get Congress to protect their "infant industry" by a duty of fifty per cent on imported gold, they could have charged every buyer of their gold fifty per cent more, and California would have been just so much the richer! This is the kind of reasoning protectionism gives us.

It is not too late to grow rich by subsidizing gold produced in Alaska. Let the Alaskan miners wake up and prevail upon Congress to put an import duty of one hundred per cent on foreign gold, the product of "cheap pauper labor" in other lands, and straightway all the gold produced in Alaska and all the stock of gold in the United States will be doubled in value. What a rare opportunity for protectionists to double the value of all our gold. Not only that, but if the Morgan-Guggenheim interests can slip through legislation that will give them good title to vast tracts of unexplored gold fields in Alaska as yet untouched, under the guise of protection to another "infant industry" and to "American high-priced labor," they can hire Indians and Canadians to pose as American laborers while getting out gold

for them, and another crop of American multi-millionaires will at once spring into existence, to prove to the world the beneficent success of "protection," when skillfully administered! This would be but to repeat what has actually been done with lumber, coal, iron ores, copper, nickel, borax, etc.

PROTECTIONISM HAS ADOPTED THIS POLICY AND HAS
APPLIED IT IN CASES OF OTHER NATURAL
RESOURCES

Do not laugh at the folly of this imaginary case, for it is just what protectionists have done in actual instances. A few years ago no borax was produced in this country. It was imported and the price was about three and a half cents a pound. Then borax was found in great deposits in our western deserts. These natural deposits were bought up and another great trust started on its career, and Congress was asked to help to "protect" a new "infant industry." This, of course, it gladly did, being well under protectionist monopolistic control; and the result is that the price in this country has more than doubled, to the great benefit of the Borax Trust, and the excess beyond what is required by the home market, is sold abroad at less than half what it is sold for here, because, not being "protected" there, it has to be sold in competition with the borax produced there. As the result of this "protection," the

American supply is being rapidly used up, while every week in every American household using borax in its laundry, etc., the cost is double what it was before we knew we had borax in this country, and the American housewife can console herself by looking at the picture on each package of borax of a twenty-mule team hauling borax out of the American desert and by reflecting what a help it is to American labor that a great many Mexican "greasers" are shoveling borax into wagons that mule teams are hauling out of the desert. To add to the absurdity and folly of this precious example of "protection," let it be remembered that this borax trust is now a foreign trust, controlled abroad, and is exploiting American pockets and enriching its foreign stockholders by making every American pay nearly double what he or she used to pay for borax, and at the same time is selling this American borax in Europe cheaper than in the United States. How does this benefit American consumers, American laborers, or the conservation of this new natural resource of our country? It is evident we are helping Europeans to cheaper borax out of the extra price charged to Americans, and by a duty that keeps out foreign borax we are hastening the exhaustion of our own supply and helping foreign stockholders to dividends on their watered stock. Would it not be equally sensible to keep out foreign gold by a duty, in order to raise the price of Ameri-

can gold produced by American labor—and then to sell the surplus of this American gold, not needed in this country, in Europe, cheaper than in the United States?

THE “PROTECTION OF INFANT INDUSTRIES” MEANS
THE HASTENED EXHAUSTION OF OUR
NATURAL RESOURCES

We have gone through the same experience with copper, nickel, chromium, and other natural resources. Every time a new natural resource has been found in the United States, a new “infant industry” under the fostering care of protection has developed a new set of millionaire holders of its capitalized watered stock, the price of the article has been raised by a duty high enough to keep out the same article produced more cheaply in some other part of the world, and we have gone to work to use up as fast as we could (in part by selling the article cheaper abroad than at home) our new natural resource, instead of conserving it or protecting it in the proper sense of the word, for future use, after the cheaper supply elsewhere is exhausted. Under the hallucination, miscalled protection, that has bewitched the American people, all American consumers have had to pay more for the article, and a new crop of millionaires has illustrated the process of the enrichment of the few at the expense

of the many through the special privilege granted them by a complaisant Congress consisting of Senators and Representatives whose elections are "seen to" by the protected interests benefited by their legislation. The American people are getting tired of such a vicious system.

THE DEVELOPMENT OF NEWLY DISCOVERED NATURAL RESOURCES MEANS NOW THE EXPLOITATION OF OUR PEOPLE

The result is that the finding of another natural resource in this country is a cause for regret. It has been stated lately that vast deposits of potash salts have been found in the United States. Let consumers beware! For, unless they watch their Congressmen and bring an educated public opinion to bear on them to restrain them, a duty or an increased duty will be put upon imported potash salts and it will soon be found that the control of the newly discovered American potash deposits has passed into the hands of a new trust with millions of capitalized stock consisting largely of "water," on which dividends will be paid to the fortunate stockholders, all through the kind "protection" furnished by the tariff, and every American user of potash will have to pay twice as much for it as he paid before this plentiful supply was found in this country. But then, says the protectionist, we shall

have a new industry in this country and we shall no longer be dependent upon Germany for our potash. Does this do the American consumer any good, or make him feel any better, when he gets only half as much potash for his money? And further, by thus lessening the imports from Germany, we also lessen the exports from the United States to Germany.

ASBESTOS

Since writing the above the following has appeared in the newspapers:

Liano, Tex., Aug. 9, 1912.—Big Asbestos Deposit Found! Outcrop of Mineral in Texas Known to Cover Sixty Acres! It is claimed by F. S. Ingram of Chicago, vice president of the National Asbestos Refining Company of that city, that the deposit of asbestos recently discovered near Liano, and which he and his associates have acquired, is the largest of that mineral substance yet discovered in any part of the world. He says that the outcrop of the fibrous mineral is known to cover about sixty acres. The deposit is 500 feet wide and more than 1700 feet long. Its depth is not known. The company is preparing to install a plant for handling the production on a large scale.

Let the country take warning! We may soon expect to see an application to Congress to raise the present unnecessary duty on asbestos, to foster an-

other "infant industry," that of digging asbestos out of the ground. If granted—as, of course, it will be (if protectionists are in control) unless public opinion becomes too pronounced against it—the price of asbestos will soon be doubled to Americans (but not to Europeans) and all American users of asbestos will be "protected" out of twice as much money for the same amount of asbestos and another set of millionaires will spring up through another grant of special privilege. We shall be told what a fine thing it is that we are no longer dependent on Europe for asbestos, and that, in some mysterious way, it raises the wages of Americans employed in digging and shoveling the asbestos out of the ground, and that these men are being protected against the cheap pauper labor of Europe! although there will be no more paid to these diggers and shovelers than was paid to other diggers and shovelers before this deposit was found.

DIAMONDS

Were a volcano to belch forth diamonds somewhere in the United States, a "Diamond Trust" would be formed, would acquire title, would prevail upon Congress to raise the duty on diamonds, and up would go the price of diamonds. The public would be consoled by the assurance that this new beneficent trust was benefiting us all by "diversifying

our industries" and was benefiting American labor by paying high wages to American diamond cutters in the place of the low wages paid to the cheap pauper labor of Dutch diamond cutters. The stockholders, too, would be consoled, very much consoled, every time they would receive their dividends, largely increased by dividends on the water in their stock representing the special privilege given to them for nothing by Congress (except, perhaps, a *voluntary* contribution to campaign funds, it may be of both political parties) to make every American pay twice as much for diamonds. Should the supply belched forth increase, so that all the diamonds could not be sold in the United States, this "Diamond Trust," with the usual beneficent spirit shown by trusts, could export the surplus diamonds and sell them in Europe and elsewhere below the price in the United States. What a blessing to the country this would be!

COMMERCE IS A GREAT PEACE MEASURE, BECAUSE IT
LEADS TO INTERDEPENDENCE

From the point of view of the statesman, the interdependence of mankind is desirable and should be cultivated, as leading to peace on earth and good-will to man. Barbarous, savage countries know nothing of the restraining influence of mutual interests and interdependence. Free trade is, therefore, a great peace measure, and it is surprising that the advocates

of peace between nations and the friends of disarmament have not relied more upon this line of argument, and have not insisted upon free trade as the great promoter of the peace of mankind. Nations that are closely related through commercial relations will not lightly go to war with each other. The greater the volume of imports and exports between England and the United States, the less is the likelihood that they will cut each other's throats; because, while so doing, they will cut their own. Establish free trade (meaning tariffs for revenue only) between all European nations and there would be no more wars. It is not well for any country to be self-contained and economically independent of all other countries, nations, or states, whether in a union or out of it. Nothing would be gained if each state in our Union were economically independent of every other state. On the contrary, our interdependence is a bond of union, and so is the increasing interdependence of all mankind.

FUTILE TO ATTEMPT TO LIMIT THE BENEFITS OF
COMMERCE TO ONE SIDE ONLY

Two hundred years or more ago England undertook to legislate so that the profit in trade with her American colonies should all go to the merchants and producers living in England engaged in such trade, and that the loss (assuming there was a profit

on one side and a loss on the other side, as was then thought possible) should all fall upon the Englishmen, as they then were, living on this side of the ocean. This was as futile as would be an attempt now in the case of the people in London and Liverpool, trading with each other, to limit the profits to those living in London and to throw the losses (if there were any) upon those living in Liverpool. The benefits of commerce are mutual or commerce ceases, and it makes no difference whether that commerce be parochial, national, or cosmopolitan. Trade knows no country and no flag.

THE UNITED STATES AN EXAMPLE OF THE BENEFITS OF ABSOLUTE FREE TRADE

The best practical example of the successful working of absolute free trade is to be found here at home. Remember that it was the actual bad results of protection by the colonies, just become states, that led the founders of our Constitution, as practical men, not as visionary theorists, to forbid protection by any state. Had they foreseen what was to happen here under the false theory of protection as applied to a nation, they would have been wise if they had forbidden protection by the nation. Professor Sumner says:*

* *Lectures on the History of Protection in the United States*, p. 8.

If it be asserted that States which pursue different industries cannot afford to trade freely with one another, here we have them — New York and Pennsylvania; Massachusetts and Minnesota; Maine and Louisiana. If it be asserted that States with like industries cannot afford to trade freely with one another, here we have them — Indiana and Illinois; Iowa and Minnesota; Massachusetts and Rhode Island; Alabama and Mississippi. If it be said that small States cannot afford to trade freely with great empires, here are New York and Connecticut; Pennsylvania and Delaware. Why do not the great States suck the life out of the small ones? If it be said that new States, with little capital and in the first stages of culture, cannot afford to exchange freely with old States having large capital and advanced social organization, here are New York and Oregon, Massachusetts and Idaho. How can any territories ever grow into States under the pressure? If it be said that a State which relies on one industry cannot afford to exchange freely with one which has a diversified industry, here are Pennsylvania and Colorado; California and Nevada; any of the cotton States and any of the Northeastern States. No such strong illustrations are furnished by any States in the world which are sovereign and independent of each other. The Constitution of the Union enforces absolute freedom of exchange and each State pays its own taxes and supports its own government. The traveler rarely knows when he passes from one State to another. As to what he buys or where he buys,

what he sells or where he sells, it would be considered an unwarrantable impertinence for any public officer to inquire. Yet no man has ever been known, so far as we are aware, to complain of this as a hardship, or as imposing a loss upon him, and no such complaint has arisen from any State as a State nor has anyone heard that here was an actual loss which must be endured for the sake of the great benefits which come from Union. On the contrary, it is universally and tacitly agreed that this is one of the great benefits of the Union.

CHAPTER IV

COMMERCE (CONTINUED)

FATAL ERROR OF THE REPUBLICAN PARTY IN TAXING IMPORTS FROM CANADA AND REPELLING HER JOINING THE AMERICAN UNION

THERE was a time, about fifty years ago, when, by a wise policy of conciliation and reciprocity, Canada could have been brought into the Union. It is too late now. Centuries hence, at the bar of history, when the story of the rise, career, decay, fall, and extinction of the Republican Party will be told by some impartial historian, the Gibbon of his time, it will be told that the one great blunder, the one great failure of that party was the adoption of a policy of repression of commercial intercourse that alienated Canadians and drove them from a union that would have resulted in the erection of fifty more imperial states of the great American Republic, joined with us in a common career.

COMMERCE IS THE MEDIUM THROUGH WHICH ECON- OMY IN PRODUCTION IS MADE EFFECTUAL

Every country specializes according to its natural resources, development, and circumstances. Germany excels in the manufacture of chemicals; England in

textile goods; France in fine dress goods, silks, velvets., etc.; the United States in boots, shoes, iron, steel, and special machines. The inhabitants of each state and country profit, so far as the excessive restrictions of their respective tariffs allow, by exchanging their respective specialties through the medium of commerce. What is to the advantage of the parties to these exchanges is to the advantage of all. All gain more by such exchange than if those in each country undertook, uneconomically, the particular special industry in which the inhabitants of some other country excel, and in which, through some limitation of nature, they are deficient. When we say that a country excels in some particular industry, we mean that the inhabitants of that country can carry on there more economically than can be done elsewhere that particular industry, with less cost for the result attained. By exchanging a commodity produced with less labor for another commodity produced also elsewhere with less labor, as before, there is a saving for both parties.

Commerce is the medium through which this mutual economy is made effective. It makes no difference whether this exchange takes place between inhabitants of different villages, towns, cities, states in a union, states not united, or continents. This the protectionist cannot see. His mental make-up is such that his horizon is limited, and he cannot look beyond his own provincial limits. Even if he can see far

enough to apply these principles to cases arising within his own country, he cannot conceive of their applying to intercourse with the inhabitants of foreign countries. Many cannot even see beyond the limits of their own home, and will tell you that you must patronize the stores of your own particular town or city, though they do not have for sale exactly what you want and charge more for what they have than is charged in some nearby town or city or state. In the same narrow way many persons maintain that when Italians return to Italy, carrying with them the money they have earned here, this country suffers a loss, forgetting that these Italians leave behind them the results of their labor, to our enrichment, else we should not have paid them our money to work for us.

ILLUSTRATION OF THE ECONOMY RESULTING FROM COMMERCE

The Chinese use enormous quantities of cheap, coarse cotton cloth for clothing. It is produced in China, slowly and uneconomically, on hand looms. Their country is fitted by nature for the raising and curing of tea, and the Chinese have become most skillful in this industry, through centuries of experience. In England and in the United States some of us have become skillful in making machinery and in making cotton cloth with it. The result is that in

spite of the enormous difference in wages in the two countries it costs less to make this cloth here and in England than it does to make it in China, even though they are now using our machinery. It is reckoned that in England or in the United States this coarse cloth can be made with one-thirtieth of the labor required to make it in China; so that, although the wages in making this cloth are higher here and in England than in China, the cloth costs less per yard than when made in China. It is a benefit to the inhabitants of both countries to exchange our cotton cloth for their tea, or, as the protectionist would put it, to sell our cloth to the Chinese and to buy their tea. It is evident that both parties benefit by this exchange or sale and purchase. The Chinese get their cloth for less than it would cost them to make it, and the Americans and Englishmen get their tea for less than it would cost them to raise and cure it themselves. Unless both parties profited by the exchange they would not make it.

THE RESULTING ECONOMY MAY INCLUDE THIRD PARTIES

The inhabitants of more than two countries, even of more than three, may be involved in the exchange of commodities through commerce. It may be that the commodity or commodities wanted by the inhabitants of a country whose merchants are exporting

other commodities (including gold) cannot be found in the country whose merchants are importing or receiving the latter commodities (including gold). In that case the latter may buy the desired commodity or commodities in some other country or continent, in offset of their debt to the inhabitants of the first named country. These complexities of international commerce receive no adequate consideration from protectionists when they say that "One country sending its gold to pay its debts to another country is becoming poorer." But, as we have already seen, *countries* do not engage in commerce; and if gold goes out of a country, exported by certain bankers or merchants (not by any *country*), it is replaced by imports. If, instead of gold, the exported article be silver, copper, lead, or iron, the same holds true, and in all cases the sum of the imports is equal to the sum of the exports. All that is needed is that legislators of all nations keep their hands off and let commerce take care of itself, except as it may be necessary to interfere because of the admitted necessity of raising revenue at the custom houses to pay the expenses of government. Protection in any guise is an interference, or, as Sumner calls it, a nuisance. It is a curse, because it is a breeder of fraud and corruption whenever it steps beyond the necessity of a tariff for revenue.

When Colbert, the great Minister of Louis XIV. of France, asked French merchants what he could

do for them, they made him a wise answer when they said, "Let us alone." They knew their own business better than he did.

ILLUSTRATION OF THE BENEFIT OF FREE EXCHANGE

In Mill's *Principles of Political Economy* we find the following illustration:

If, while the cloth produced with one hundred days' labor in Poland was produced with one hundred and fifty days' labor in England, the corn which was produced in Poland with one hundred days' labor, could not be produced in England with less than two hundred days' labor, an adequate motive to exchange would immediately arise. With a quantity of cloth which England produced with one hundred and fifty days' labor, she would be able to purchase as much corn in Poland as was there produced with one hundred days' labor; but the quantity which was there produced with one hundred days' labor would be as great as the quantity produced in England with two hundred days' labor. By importing corn (meaning wheat), therefore, from Poland, and paying for it with cloth, England would obtain for one hundred and fifty days' labor what would otherwise cost her two hundred, being a saving of fifty days' labor on each repetition of the transaction, and not merely a saving to England, but a saving absolutely; for it is not obtained at the expense of Poland, who, with corn that costs her

one hundred days' labor has purchased cloth which, if produced at home, would have cost her the same. Poland, therefore, on this supposition, loses nothing; but also she derives no advantage from the trade, the imported cloth costing her as much as if it were made at home. To enable Poland to gain anything by the interchange, something must be abated from the gain of England; the corn produced in Poland by one hundred days' labor must be able to purchase from England more cloth than Poland could produce by that amount of labor; more, therefore, than England could produce by one hundred and fifty days' labor, England thus obtaining the corn which would have cost her two hundred days' labor at a cost exceeding one hundred and fifty, though short of two hundred. England, therefore, no longer gains the whole of the labor which is saved to the two jointly by trading with one another.*

Little do protectionist tariff tinkers foresee the results that may follow their mischievous interference with the natural laws of exchange.

WHAT ABSOLUTE FREEDOM OF TRADE CAN DO

Consider for a moment a vast city like London, New York or Chicago, each with its many millions,

*As countries do not trade with each other, but their inhabitants do, the names of the countries, "England" and "Poland," used in the above illustration must be understood to stand for their respective inhabitants who are supposed to be trading with each other.

far exceeding the population of other States. These teeming millions would all die in a few days if provisions did not flow into them. Imagination cannot conceive the multiplicity and the variety of their wants, that unless supplied tomorrow will lead to famine or riot, pillage and murder. And yet at night all is still and quiet, and no one feels uneasy because of these possibilities the next day. What can possibly supply all these vital wants? What mysterious force is there that, without any law of man, can bring into each and every one of these and other cities just the precise quantity of everything needed for the next day, neither too little nor too much, but just enough? What is the ingenious and secret power that can automatically do it so well that we do not think of it, but trust thoughtlessly and implicitly in it? It is the principle of perfect freedom of exchange, the law of demand and supply. No theory of protection is called for. If we have such perfect faith in this principle as thus applied to the private concerns of mankind, why should we not extend it to international transactions, and leave them to the operation of the same natural laws? The mayors and city councils do not, cannot, undertake to regulate these matters, they do not undertake to say where the citizens shall trade, nor what they shall buy or sell, nor to whom or from whom, nor to fear they will buy or sell too much or in the wrong market. Then, why should it be thought necessary for the national government, because, in order to raise a revenue for the State's

expenses, it must collect a certain tax or import duties at its customs houses, to interfere further in the affairs of its citizens, by undertaking what is called *protection* over the country's external commerce? *

THE BUGABOO CALLED "DUMPING"

Protectionists tell us that our home markets must not be "flooded" with the cheaper, and often the better, made foreign products of "pauper labor," whatever that opprobrious term may mean, and that this country must not be made "the dumping-ground of Europe."

If foreign products are "dumped" here, are not our products "dumped" in Europe, in exchange for them? Do not our people buy "dumped" articles because they want them and because they get their money's worth? How much "dumping" would be done if our people did not buy what is "dumped" here? Are such products "dumped" in Patagonia or the Desert of Sahara? Are they not always "dumped" in some wealthy country that has something to "dump" in exchange? Do not Americans also "dump" many of their products in foreign countries? And do they not also "dump" them only in wealthy countries, the inhabitants of which have something to "dump" here in return, either gold or other products that they want less than they want

* Bastiat, *Sophisms of Protection*, p. 122.

the American "dumped" product? Certainly no one supposes that foreigners "dump" goods here or that Americans "dump" goods abroad for nothing, as ashes and rubbish of all kinds are dumped to get rid of them because they have no value. It is true that American commodities "dumped" abroad are sold for less there than the same are sold for here, but that is because of the difference in the markets. American goods "dumped" abroad have to compete with the markets of the world by coming down to their prices, but it is not so easy for foreigners to "dump" their products in the United States, because of our high tariff that cuts off this competition and makes every American consumer pay more for the American-made article than he can buy it for abroad, without any resulting benefit to the income of our government. It must also be remembered that it is more than the surplus of their commodities unconsumed in the American market that is sold abroad at lower prices than they are sold for here. There are many manufacturers now in the United States who sell their entire product in Europe—that is, they "dump" their entire product in Europe. Is the misuse of a good enough term in an opprobrious and misleading sense to continue indefinitely to blind us to the real nature of the transaction? In this absurd fear of "invasion by foreign products," of "dumping" by which our home markets will be "flooded with foreign goods," is there not a con-

fession that a protective tariff is an obstacle to commerce, a senseless Chinese wall, a creator of high prices and a promoter of scarcity, whereas free trade (meaning always a tariff for revenue only) would bring that cheapness that all consumers want?

No commodities are "dumped" where they are not wanted. If Americans or Europeans "dump" American products abroad it is because there is a demand for them, and the goods or the gold taken in exchange for them are "dumped" here because there is a demand for them here. In popular estimation goods from abroad "dumped" here are supposed to injure us, but American goods "dumped" abroad are supposed to benefit us. This is a relic of the old notion, so hard to overcome, that exports are of greater importance than imports, and will enrich a country, while imports will injure a country; and this is supposed to be peculiarly true of gold. This erroneous idea is due to ignorance or failure to grasp the meaning of the fact that there cannot be exports without imports, and that the sum of all imports is equal to the sum of all exports.

THE MERCANTILE THEORY

It was natural enough for people to think that money (gold and silver) has a greater intrinsic value than other forms of wealth when the science of economics was in its infancy. Even now those who

know little or nothing of economics take it for granted. This outworn and now discredited and abandoned idea was at the bottom of the mercantile theory, so called. Colbert was the chief exponent of this system, according to which every country is rich in proportion to the amount of gold (and silver) it has. Consequently every precaution must be taken to prevent what coin a country has from going out of the country, and every means must be taken to induce more gold to come in. If there is "an adverse balance of trade" against a country—that is, an apparent difference between the imports and exports of the inhabitants of that country that must be settled by the payment of coin—then, according to the mercantile theory, that country is becoming poorer. On the other hand, if there is "a favorable balance of trade"—that is, an apparent difference between the imports and exports of the inhabitants of that country that must be settled by the receipt of coin—then that country is becoming richer. It was thought to be essential to every country's welfare, in accordance with this theory, to hoard what gold was in it and to secure more gold from outsiders. It was the miser's theory applied to commerce, and was the practice of all nations until the theory was demolished by Adam Smith in *The Wealth of Nations*. It has been abandoned by all political economists, but it has left an apparently indelible impress on

careless and ignorant thinkers and on protectionists. Many protectionist newspapers and "the man on the street" still talk about "an adverse balance of trade," and present startling statistics to show we are becoming poorer because we are importing more than we are exporting; the deficiency must be paid in coin, the country is being drained of its wealth, "the balance of trade is against us," etc., etc. If everyone would but remember, on seeing these scarehead announcements, that the sum of all imports is equal to the sum of all exports, he will be saved unnecessary alarm. Great Britain imports every year more than she exports—or, to be exact, her inhabitants do—yet, apparently, she is richer and richer from year to year, and so are her inhabitants.

ILLUSTRATION OF THE FALSITY OF THE MERCANTILE THEORY

When gold was discovered in California and lucky miners accumulated stores of it, they sent it out of California in exchange for what they wanted more than gold—that is, corn, wheat, hardware, tools, machinery, etc. The inhabitants of the rest of the country exchanged what they had in excess and wanted to sell—that is, corn, wheat, hardware, tools, machinery, etc.—for what they wanted more—that is, gold—and both parties were enriched by

the exchange or they would not have made it. But, according to the mercantile theory, California was becoming poorer all the time that her inhabitants were parting with their gold. According to this theory, California was richest before any gold was discovered there.

ILLUSTRATION OF THE PERSISTENCE OF BELIEF IN
THIS THEORY

Even a well-educated member of Congress from Massachusetts, Augustus P. Gardner, a son-in-law of Senator Lodge, certainly a man with every opportunity for knowing better, still talks about the balance of trade! In a speech made by him in the House, February 14, 1911, after quoting from a speech by Senator Morrill, delivered January 7, 1885, in which the Senator said "the balance against us in specie in a single year was \$30,000,000," Representative Gardner said, "Instead of being millions to the bad in our business relations with Canada, as was the case when the Elgin treaty was terminated in 1866, last year we were no less than \$118,000,000 to the good."

It is impossible to treat with respect such childish talk in an age when every educated man can only be said to be culpably ignorant or wilfully perverse who does not know better than to present his belief in the mercantile theory.

FURTHER ILLUSTRATION OF THE PERSISTENCE OF
THIS FALLACY

Every once in a while we meet a statement going the rounds of the newspapers that Lincoln said, "I don't know much about the tariff, but I know this much: when we buy manufactured goods abroad we get the goods and the foreigners get the money. When we buy the manufactured goods at home we get the goods and the money, too."

I have a better opinion of Lincoln than to believe he ever made such a foolish statement until proof he did so is shown me. When and where did he say it? What was the rest of what he said?

This fine sample of bad reasoning assumes that we pay for imported goods in money and that it is a bad thing to have the money go out of the country, whereas it is economical, if the goods can be manufactured more economically abroad than here, to import them. Doubtless cucumbers, melons, and grapes could be raised under glass at the North Pole, but it would be more economical for anyone living there to import them from the United States or elsewhere, even if he did have to send his money out to pay for them, for it would cost him more than the money he would send out, to raise them at his home.

CHAPTER V

FREE TRADE

FREE TRADE IS PRACTICAL

PROTECTIONISTS call themselves "practical men" and brand free traders as "theorists." If the absolute free trade existing in the United States from the Atlantic to the Pacific, from the great lakes to the Gulf of Mexico, is a theory—if the supremacy of England in commerce through free trade is a theory—what do protectionists call a fact?

Absolute free trade is the natural condition of mankind everywhere. It is no theory, but an actual fact until theorists came along and introduced an artificial system miscalled protection. Professor Sumner calls absolute free trade "a mode of liberty." It has existed throughout the United States ever since 1789, and no one realizes it until he stops and thinks about it, just as we naturally breathe without realizing it until something calls our attention to it. Free trade, like liberty, is absence of restraint or oppression. Just as the Frenchman spoke prose all his lifetime and never knew it until he was told, so we, everywhere in the United States, buy and sell

wherever we please within our great country. We have absolute free trade and no one realizes it until his attention is called to it.

FREE TRADE IS AN ACTUAL FACT

It is an actual fact and so natural that we take it for granted and suppose it always has been so. The average American is surprised to find that the necessity for it was one of the causes leading to the formation and adoption of our Constitution, for until then our colonies and States protected themselves against each other, each colony or State passing such protective laws as it chose. Pennsylvania and Massachusetts tried to benefit their citizens by a tax on products brought in from other States. New York sought "protection" for its farmers through a tax on produce from Connecticut. An interesting chapter could be written on the vagaries of the methods resorted to by the different colonies to carry on trade with each other in such a way, through protective legislation, that the merchants and traders of each colony or State should *make all they could out of their neighbors and that those neighbors should make nothing out of them* — quite in the most approved style of protectionism. The adoption of the Constitution put an end to all these schemes, and hitherto undreamt of prosperity furnished proof of the falsity of the position now taken by those

theorists called protectionists that free trade is a theory that can only be brought about gradually.

It would be as reasonable to apply the word "theory" to the Protestant Reformation, or to law reform, or to anti-slavery, or to the separation of church and state, or to popular rights or to any other campaign in the great struggle which we call liberty and progress, as to apply it to free trade.*

To call free trade a theory is a part of the general misconception or misrepresentation of the real meaning of words and things that forms so prominent a part in the mental processes of protectionists. England growing richer and richer year after year under free trade, although all the time importing more than she exports (or, to speak more accurately, than her inhabitants import and export) is a *theory*, according to protectionists. I prefer to call it *fact* and to brand as theorists those who deny it.

FREEDOM THE ONLY SAFE WAY

Emerson said:

The basis of political economy is non-interference. The only safe rule is to be found in self-adjustment of demand and supply. Do not legislate. Meddle, and you snap the sinews with your sumptuary laws; give no bounties; make equal laws; secure life and property, and you need give no alms.

* "*Protectionism*" by Prof. W. G. Sumner, p. 11.

We find that the exports from free trade England (meaning that England has a tariff for revenue only) are six times what they are from the United States. Reduce our tariff to reasonable limits and we shall become a great exporting and importing country, for we have now so developed our industries that we can produce at low cost were it not for the expenses entailed upon us through protection. Freedom from slavery, freedom of church from state, of state from church, freedom of speech, freedom of the press, and other ordered forms of regulated freedom and liberty were all theories at one time. Doubtless a Turk would tell you they are all theories now; beautiful, iridescent dreams incapable of fulfillment. We prefer to call them facts.

FREE TRADE HAS TWO MEANINGS

England is generally looked upon, even by protectionists, as a free trade country. They do not mean by this that she has no custom houses and levies no duties on imports. They mean that she has a tariff for revenue only. Then, why do they not use the term "free trade" in the same meaning in all their arguments? Instead of doing so they perversely turn about and say that "free trade" means the abolition of all custom-house duties. Is this fair? It is to be hoped that in course of time protectionists will cease their misrepresentations, just as they have

ceased their senseless talk of thirty years ago about "British gold" sent over here to be lavishly, and, of course, corruptly, used to break down protection; of assessments made by the Cobden Club to furnish funds for that purpose; of professors in our colleges under British pay to cajole Americans into acceptance of free trade. It is well to refresh our memories occasionally with recollections of these abandoned absurdities of protectionists, that we may point to them as reasons for disregarding the new absurdities they present to us from time to time. Already the nonsensical idea that "the foreigner pays the tax" has passed away and is so well nigh forgotten that many of my younger readers will probably admit that they have never heard of it. It will be followed into forgetfulness by the absurd idea, so pleasing to Mr. Taft and others who should know better, that the difference in the cost of production here and abroad is the measure of protection required by the American workman. The cost of production under what circumstances? Of the best-equipped factory or shop, or of the worst-equipped one? Of the one managed with the highest efficiency, or of the one managed with the lowest, or none at all? Of the industry carried on by a trust with millions of watered stock, or of that carried on with payment of dividends only upon actual capital? What is the measure of protection required under this test in those many cases in which the cost per

unit is less in the United States than abroad, even though the daily rate of wages is higher? The test proposed by these impractical men, the theorists, is an impossible one and has been thoroughly riddled by the arguments of free traders, especially by those of Representative Redfield, of Brooklyn, N. Y., in his speeches in Congress and on the stump.

“THE COST OF PRODUCTION HERE AND ABROAD”

Which cost of production? Which cost here? Which cost abroad? Which two costs shall be compared? The cost to the producer who is the most favorably situated? Or to the one least favorably situated? Or the average cost of production? If so, how is it possible to ascertain it? How is it to be determined? Take, for instance, the cost of wool. In that part of the country where sheep roam at large and the wool is the principal or only part of the industry sold, the cost is one thing. In another part of the country where the mutton is sold at a profit that pays for the whole outlay the amount resulting from the sale of the wool is all profit and the wool costs nothing. The test is an impossible one. Even the American Protective Tariff League has admitted that “production cost in our own country is so widely variant as to be of little value.” And Mr. Taft’s so-called Tariff Board has stated, “As is well known, wages or earnings are not necessarily

an index of the labor cost of any particular process of manufacture. The labor cost per yard depends on the relation between wages and output," and "frequently it is found that high wages and low labor cost go together."

FREE TRADE IS FAVORABLE TO THE MAXIMUM OF
PRODUCTION

Free trade (meaning a tariff for revenue only) would bring the production of the world to a maximum by allowing the citizens of every country to produce whatever they might find by experience they could produce at the least expense, and to sell or exchange it wherever they could to the best advantage for what the citizens of those countries could find in the same way, through experience, that they could produce at the least expense. This is in accordance with fact and nature; is no theory. From this it follows that free trade means abundance and cheapness, while protection means scarcity and dearth. Protectionists claim that goods and products must not be allowed to come into this country and be sold at low prices, because similar goods, etc., could not then be made here with profit. They think, then, that it is *the making of the goods* that we want to secure, not the goods themselves. But this attitude of protectionists is an admission that goods may be

too plentiful and cheap and that protective duties will make them less plentiful and more costly. The duty, then, is in the interest of scarcity and consequent dearness. It is, therefore, at the expense of the consumer and adverse to his interest. Free trade (meaning a tariff for revenue only) recognizes the rights of property, the right to freedom of choice and action, the right to buy where everyone pleases and to sell where he pleases. Protection says, You shall not buy in a foreign market, even though you may find there what you want at a lower price and of better quality, unless you pay a penalty for it, a tax called a duty, to prevent your buying in that market. The protectionist says that his system will establish a new industry here, and then we shall no longer be dependent upon Europe for the products of that industry, and this will give employment to American laborers and will raise their wages so that they can compete with "the pauper labor of Europe." But the argument used in Europe is just the opposite. They say there that they must have protection to enable their laborers to compete with the high-priced laborers in the United States. We are not informed by protectionists why the more efficient, resourceful, skilled laborers of our country should need protection against the pauper, inefficient, ignorant laborers of other countries. There is obviously more in the claim that they need protection against us.

A NEW INDUSTRY IS NOT DUE TO PROTECTION

As a further illustration of the springing up of a new industry take the hat industry of New England as given in *Gallatin's Report* of 1810, in an appendix:*

A girl in the town of Wrentham, on the Rhode Island border, found that she could make a straw hat as good as the imported ones then in fashion. Soon every girl in the region made her own hat, and the industry of making them for sale was quickly established and grew to large proportions. . . . Four thousand persons were employed in the manufacture of hats in Massachusetts alone. A million and a half hats were made, of which three-fourths were sold beyond the state. Women's straw bonnets and straw hats were made in Norfolk County in the same state in great numbers.*

A dealer in gold leaf picked up from the floor a spool of tape that rolled down from his mother's lap. As he handed it back to her it suddenly occurred to him, "Why not wind strips of gold leaf, in various widths, on spools, and save much waste of the gold?" He took out a patent, carried on the business, and made a fortune out of it. Inventive genius gives rise to new industries, and protection does not.

* Gallatin's Report, 1810, in American State Papers; *Finance*, vol. 2, p. 439; and cited in Stanwood, *American Tariff Controversies in the Nineteenth Century*, vol. 1, p. 130.

FREE TRADE MEANS FREEDOM OF TRADE SUBJECT TO
NECESSARY TAXATION

Free traders hold that the welfare of all mankind is best subserved by having each country follow as closely as it can the plan of allowing everyone to trade where he finds he can trade best, subject only to such taxes as may be necessary to carry on the government of the country. In the same way liberty does not mean *license*, freedom to do whatever each one pleases, but freedom subject to certain necessary limitations.

It must always be remembered that when an excise tax is imposed corresponding to—that is, of the same amount as—the duty upon imports of the same article, the result is a tariff for revenue only, for none of the higher price, on account of the tax, goes into the pocket of the home producer, while the consumer pays the same price whether he buys the domestic or the imported article.

PROSPERITY UNDER A TARIFF FOR REVENUE

In 1842, under a tariff for revenue, with but little protection, Charles Dickens wrote from Boston, with some of the exaggeration, it must be admitted, we might expect from him, “There is no man in this town or in this State of New England [*sic*] who has not a blazing fire and a meat dinner every day of his

life. A flaming sword in the air would not attract so much attention as a beggar in the streets."

How is it now? Since we have had high protection the condition of our laboring classes has steadily moved towards that of the laboring classes of Europe. I do not say that protection has done it. That would be to repeat the same error in logic that protectionists make when they claim that high wages are due to protection. The Lawrence strike and the disclosure of the awful condition of the laborers there has awakened the American public to realization of the fact that labor in this country is approaching the conditions of labor in Europe and that protection has not prevented it.

OUR GREATEST PROSPERITY WAS UNDER APPROXIMATE FREE TRADE, FROM 1846 TO 1861

From 1846 to 1857 the average tariff duties were twenty-four per cent. From 1857 to 1861 they were about nineteen per cent. During these fourteen years of low duties imports into the United States increased from 118 millions in 1846 to 354 millions in 1860, or 200 per cent. In the same period our exports increased from 109 millions in 1846 to 333 millions in 1860, or 204 per cent. Increased duties, combined with the war, put an end to this rate of increase, but whether under low tariff or high tariff, exports continued about even with imports. All these details

prove the correctness of the statement that commerce is barter or exchange of commodities, and that the sum of the exports is equal to the sum of the imports. Therefore, if it be desirable to increase our exports, the duties must not be so high as to exclude imports. Franklin Pierce says, "The present annual loss to American exporters, brought about by the protective tariff, is a diminished sale of at least a billion dollars a year." * Not only is this commercial benefit thus lost to us; it is lost, also, to those with whom we would trade. The loss is mutual. So is the loss of the closer bond between us that this commerce would bring us. Nations seldom go to war with those in close commercial relation with them. Increased commerce means diminished probability of war.

The census of 1860 shows that the national wealth increased, from 1850 to 1860, 126 per cent, the greatest percentage of increase in any decade in our history. This shows that later periods of increasing prosperity were not due to any protective tariff, and that protection was no longer necessary. According to Carroll D. Wright, who is admitted to be high authority, the capital in the United States employed in manufacturing increased during this period of 1850 to 1860 from 533 millions to 1,009 millions. According to protectionist logic this shows that increased protection lessened our rate of increase.

* *The Tariff and the Trusts*, p. 233.

SENATOR MORRILL ON OUR GROWTH DURING THIS
PERIOD

Commenting on this "prodigious growth," Senator Morrill, who is now looked upon as the father of protection in this country, said, in a speech in Congress in 1862, "Such facts should make every man with an American heart in his bosom glow with pride." And again, in a speech in 1867, referring to 1860, he said, "And that was a year of as large production and as much general prosperity as any, perhaps, in our history."

Then why was protection any longer necessary? The fact is, we have prospered under all tariffs, but most of all under a low tariff. We have prospered in spite of protection. Natural laws are more powerful than artificial ones, and in the end will prevail.

CHAPTER VI

FREE TRADE (CONTINUED)

FUTILITY OF THE CLAIM THAT PROSPERITY IS DUE TO PROTECTION

THINK of our unrivaled country, its immense area, its varied climate, soil, and products, its coal, petroleum, natural gas, iron, copper, gold, silver, forests, prairies, rivers, lakes, great inland seas, harbors, a free people, with the best political system in the world, in spite of its faults, attracting the enterprising and industrious to our shores, all giving to every American and to every European coming here every opportunity to develop and to become whatever his talents fit him for! Think of our free school system, open to all; our free institutions and great business opportunities, the best in the world for the development of economic strength; our absolute free trade between the inhabitants of the states of the Union!

Along comes the protectionist and he tells us that all these are not the cause of our great prosperity. They are all in vain. "I made all this prosperity with my taxes. If it had not been for me and my 'American system' you could not have done all

this." What perverse hallucination blinds the American people and leads them into acceptance of such sophistry?

The truth is, the prosperity we enjoy is the prosperity that God, through the gifts of nature, aided by our free institutions and equal opportunity and freedom to all, has given us, less the artificial burdens the meddling protectionists have laid upon us by their protective duties. For taxes do not create wealth; they only consume wealth already accumulated. The wealth disclosed by the census is the wealth that remains after taxation has done its work upon us. We might as well claim that slavery caused prosperity because the United States prospered under slavery, as to claim that our prosperity is due to protection. To use a homely illustration—I go out in the morning to look at the sky and I find fine weather, with the sun shining; but soon clouds gather, the wind blows, and we have rain. Are we to conclude that the cause of the rain was my going out to look at the sky? That is the kind of reasoning protectionists give us. *Post hoc, ergo propter hoc!* Because certain events are followed by certain other events it does not follow that they are cause and effect. We must first connect them and show that they depend on each other. Yet once every four years, at each recurring political campaign, we are assured that the country's prosperity is due to protection, and, therefore, no reduction in duties

must be allowed. Manufacturers unite and pass resolutions that they publish in the newspapers, with scare headlines, that if A. is elected their mills will be closed, or they pass the word around among their mill hands that wages will be reduced, in order to frighten them into voting for continued protective duties. We are told that if we are prosperous it is due to protection. If we have a panic, and bad times follow, we are told it is due to the want of sufficient protection, or the system is not yet "scientifically perfect," and we must have another revision of the tariff, protectionists always meaning thereby, upward revision, while giving the public to understand it is to be downward revision. Or, we are told that if free traders would only stop talking and would let the tariff alone we would not have any panic. Then, as Sumner suggests, the prosperity produced by protection is so precarious that even talk about free trade will destroy it. But the tariff never can be let alone, for even protectionists will not let it alone. It is true that those who are encircled by it do not want anything more said about it, but there are always a lot more, whose industries are not within the charmed circle, who are clamoring for admission. Yet some must be left out, for if all were admitted it would be the same as if all were rejected. There would be no special advantage reserved to those admitted if all were admitted and the system would fail. An illustration of the beneficent results sought

to be achieved through admission was presented to us a few years ago. Some enterprising Yankees conceived the idea of going into the "sardine business" on the coast of Maine. So they put small young herrings in cottonseed oil in tins bearing a label, "Pure Sardines in Olive Oil," with a French name. Then they petitioned Congress for "protection" for their "infant industry." So we find constantly that even those who believe in protection will not let the sacred ark of the tariff alone. For still stronger reasons free traders (meaning those who want a tariff for revenue only) will not let it alone, for they know it is wrong and they do not propose to let it alone until by successive gradual reductions it shall become a tariff for revenue only.

FREE TRADE WANTED AS A RIGHT

Lincoln used to tell a story about his hearing his two boys making a noise in the next room. He asked what was the matter. "It's Tad trying to get my knife," said Robert. "Oh, let him have it, Bob, to keep him quiet," said Lincoln. "No," said Bob; "it's my knife, and I need it to keep me quiet." Just so the free trader needs his rights to keep him quiet, and he means to have them, too.

FREE TRADE IS OF UNIVERSAL APPLICATION

The principles of free trade are universal and of universal application, while those of protection are

narrow, restrictive, and of limited application. Many protectionists admit that free trade (meaning a tariff for revenue only) is best, if all nations would adopt it; that protection will pass away with increase of cosmopolitanism. The free trader not only believes in free trade; he follows its principles in the daily affairs of life. He buys wherever he can get the best at the lowest price. The protectionist, although in theory he believes in protection, disregards its principles in the daily affairs of life, and becomes in fact a free trader, for he, too, buys what he wants, even in the conduct of his business, wherever he can get the best at the lowest price. Instead of paying a higher price for the protected machine made by his American neighbor, he buys it in England or Europe if he finds he can get it better or cheaper there. And no one is more clamorous than he is for free trade in the raw material for his own industry. Everyone, be he free trader or protectionist, buys in the cheapest and sells in the dearest market, and he does right in doing so. If it is to the advantage of one to do so, it is to the advantage of all.

UNEXPECTED ADVANTAGES FOLLOW FREE TRADE

Note the results in England of admitting free of duty the bounty-fed sugars of other countries. Not only did the use of sugar increase, there was a re-

markable change and new growth of the business of putting up jams, jellies, marmalades, etc. Immense quantities of fruits were brought into the country in British steamers from various parts of the world, to be preserved with the low-priced, bounty-fed, imported sugar; and these preserved and canned fruits and products were then exported with profit to every part of the world. Thus, out of free sugar there sprang up a new industry. The next time my reader eats Scotch orange marmalade, remember that it is in part paid for by the bounty paid by the government of the country paying the bounty, probably the Russian government, on the sugar that went into the making of that marmalade. If it were not for the duty levied on these products in this country to help to keep them out of the country, the families of many more of our working classes could be supplied with these necessary delicacies, for such they are now admitted to be. Doubtless the same policy would bring about equally good results in the United States, with the great additional advantage of freeing us from the tyranny, rascality, and greed of one of the most abominable of our many abominable trusts—the Sugar Trust.

FREE TRADE IS NATURAL, PROTECTION IS ARTIFICIAL

Thousands of disingenuous youths graduate from our colleges every year. In the impartial truth-

seeking atmosphere of their respective colleges they have listened to the teachings of the different schools of political economists, as to the merits, the correctness, and the truth of protection and of free trade. They are graduated in firm faith well founded, in free trade, generally. Many of them go into their fathers' offices and factories and in a few years probably a majority of them become protectionists. The reason is obvious—they become blinded by their own selfish interests. These are the men who are pointed out as being free traders theoretically, but protectionists when actual experience has taught them the benefits that accrue from protection. This means that they have found that protection puts money into their pockets and therefore they conclude it is the best system. It is no answer to this to say that those youths who remain free traders, remain so because it is for their interest to remain so. This does not impair the force of the argument that as the good of the greatest number is best subserved by consulting the interest of the greatest number, and as the greatest number, the whole people, are consumers, therefore free trade is the right policy to follow, because free trade is the only system that consults the interest of the consumers. It is admitted that the great majority of protectionists, as well as the great majority of free traders, are honest, sincere, and patriotic; alike believing that the system each urges is the best for the country.

But it must be remembered that men who are engaged in business enterprises, especially those engaged in working our great natural resources, have their own interests to subserve, naturally and properly enough, of course, and this tends to blind their judgment and their capacity to reason correctly when their own interests are at stake. In the language of the man on the street, they are not in business for their health, but to make money. Most of the owners of our forests, mines of coal, iron, gold, silver, copper, borax, salt, etc., do not care for the future. It is for their interest to keep out of the country all similar products from other countries, in order that they may convert into money at as high a price as possible and as fast as they can, these natural resources that they own. Provided they succeed in this, they do not stop to consider what later generations will do. Therefore, they seize eagerly any arguments, however specious, that enable them to accomplish their ends.

“FREE TRADE” IS A RELATIVE TERM

While we look upon Great Britain as a country with a tariff for revenue only—that is to say, as a free trade country—in Japan Great Britain is looked upon as a country with a protective tariff because the English Government levies duties upon certain products of Japan. The same tariff may,

therefore, be looked upon as a free trade tariff by the people of one country and as a protective tariff by the people of another country.

BENJAMIN FRANKLIN WAS A FREE TRADER

In a letter to the Count de Vergennes, dated March 15, 1783, Dr. Franklin wrote:

In general I would only observe that commerce, consisting of a mutual exchange of the necessities and conveniences of life, the more free and unrestrained it is, the more it flourishes; and the happier are all the nations concerned in it. Most of the restraints put upon it in different countries seem to have been the projects of particular persons for their private interest under pretense of public good.

PRESIDENT WILSON A FREE TRADER

When speaking before the Tariff Board in 1882, Woodrow Wilson, then a professor, said:

No man with his senses about him would recommend perfect freedom of trade in the sense that there should be no duties whatever laid on imports. The only thing that free traders contend for is that there shall be only so much duty laid as will be necessary to defray the expenses of the government, reduce the public debt, and leave a small surplus for

accumulation. But that surplus should be so small that it will not lead to jobbery and corruption of the worst sort.*

EVERY PROTECTIONIST IS A FREE TRADER AT HEART

The most thorough-going protectionist throws his protection principles to the wind in the conduct of his own business, when they conflict with his own interests. While clamoring for protection high enough to keep foreign machinery out of the country, he buys the particular machines he uses in his own business where he can get them at the lowest price, without regard to the injury he is thereby inflicting, according to his own protection principles, upon the protected American industry, by not buying the poorer if cheaper home-made article. The report of the Tariff Board of 1911-12 on wool and woolens states that in our worsted mills eighty per cent of the machinery used for the processes, from scouring to the finished yarn, is imported. Of the Bradford frames, ninety per cent are imported. All of the so-called "French Combs" and worsted spinning machines are imported.

Paraphrasing a statement that has gained wide currency, I maintain that if you scratch the skin of a protectionist you will find the blood, not of a free trader (one who wants a tariff for revenue

* Quoted by Representative Hill in debate in Congress, July 10, 1912. *Congressional Record*, p. 9405.

only), but you will find the blood of an absolute free trader (one who wants the custom house abolished so far as his own imports are concerned).

ILLUSTRATION

In *Protection and Free Trade*, Henry George tells this anecdote:

A few months ago I found myself one night with some other travelers on the smoking car of a Pennsylvania limited express train. One told how, coming from Europe with a trunk filled with presents for his wife, he had significantly said to the inspector detailed to examine his trunks, that he was in a hurry. "How much of a hurry?" said the official. "Ten dollars' worth of hurry." The inspector took a quick look through the trunk and remarked, "That's not much of a hurry for all this." I gave him ten more, said the story teller, and he chalked the trunk. Then another told how, under similar circumstances, he had placed a magnificent meerschaum pipe so that it would be the first thing seen on lifting the lid of the trunk, and when the officer admired it, had replied that it was his. The third said he simply put a greenback conspicuously in the first article of luggage; and the fourth told how his plan was to crumple up a note and put it with his keys in the officer's hands. Here were four reputable business men, as I afterwards found them to be — one an iron worker, one a coal producer, and the other two manufacturers — men of at least average morality and pa-

triotism, who not only thought it no harm to evade the tariff, but who made no scruple of the false oath necessary and regarded the bribery of customs officers as a good joke. I had the curiosity to edge the conversation from this to the subject of Free Trade, when I found that all four were staunch protectionists.

WEBSTER'S ARGUMENT FOR FREEDOM OF COMMERCE

Stanwood quotes one of Webster's "most lucid arguments," when considering the fact that workmen in the iron mines of Russia and Sweden earned no more than seven cents a day, and as freight from Sweden had been eight dollars a ton, which was not more than the cost of fifty miles of land transportation in the United States, he said:*

Stockholm, therefore, for the purpose of this argument, may be considered as within fifty miles of Philadelphia. Now it is at once a just and a strong view of this case to consider that there are within fifty miles of our market vast multitudes of persons who are willing to labor in the production of this article for us, at the rate of seven cents per day, while we have no labor which will not command upon the average at least five or six times that amount. The question is, then, shall we buy this article of these manufacturers and suffer our own labor to earn its greater reward, or shall we employ

* Annals of Congress, 18th Cong., 1st Session, p. 2065.

our own labor in a similar manufacture and make up to it, by a tax on consumers, the loss which it must necessarily sustain?

To this Stanwood replies:.* “The argument was an exceedingly strong one from every point of view save that of the policy of establishing the industry at home *and rendering the country independent of a foreign supply.*” [Italics are mine.]

But in the interests of peace on earth and of the highest civilization, I contend that it is extremely desirable that nations shall be dependent upon each other. Independence of a foreign supply, instead of being desirable, is undesirable. For if we are dependent upon some other country for some product, equally so is that country dependent upon us for some other product taken in exchange. The greater the interdependence of states the more peaceful is their attitude towards each other. I do not ignore Mr. Roosevelt's claim that this would be an injury to the manly virtues that are stimulated by war. If so, then the peaceful attitude of the inhabitants of the States of the United States towards each other and their close interdependence, instead of being cultivated as part of the beneficent effects of our Union, are to be deprecated, because tending to injure the martial tone of our people and leading to loss of the

* *American Tariff Controversies in the Nineteenth Century*, 1st vol., p. 234.

manly virtues that can only be kept alive by cultivating independence of each other in the different states. Is not this a *reductio ad absurdum* of the argument? Will any one maintain that it is well for the states of our Union to be interdependent, but that it is not well for states not in a union to be interdependent?

CHAPTER VII

PROTECTION

PROTECTIVE LEGISLATION OF GREAT BRITAIN A CAUSE OF THE AMERICAN REVOLUTION

THE English Parliament forbade even the making of horseshoes in the American Colonies, lest it interfere with the same business in England. Our Puritan forefathers read the Bible, but were not allowed to print it, lest it interfere with the profits of the English printers. Legislation of this kind was one of the causes of the American Revolution. It reminds us of some of the narrow, restrictive views of protectionism. It was legislation of this nature that drew from the Congress of the American Colonies in 1765 a resolution "that the restrictions imposed by several late acts of Parliament on the trade of these colonies will render them unable to purchase the manufactures of Great Britain." Similarly, the restrictions imposed by protection on the trade between foreigners and Americans will render it impossible for these foreigners to purchase the manufactures of the United States. This resolution of our Congress of 1765 is interesting because it shows that the men whom we now

revere as "the Fathers" perceived that trade or commerce is the exchange of products. At the end of the Spanish war, Congress being under control of protectionists, we began a similar narrow policy against the Philippines, but fortunately we are gradually passing out of it.

THE AMERICAN COLONIES "PROTECTED" THEM-
SELVES AGAINST EACH OTHER

During our colonial period and until the adoption of the Constitution of the United States, partaking of the general ignorance of economic principles, Americans undertook to carry out the foolish idea of having the colonies or states "protect" themselves against each other. But they never thought of calling it "the American system." For instance, the citizens of New York had to pay a duty on every load of wood from Connecticut and on all eggs imported from New Jersey. A meeting was held in New London and all the dealers signed an agreement not to send any goods to New York. This was our first "tariff war." But the New Londoners soon found that if they sent no goods to New York, the goods they wanted in exchange would not come to New London from New York. They soon learned that the notion then current that outside trade was an evil to be kept out or limited as much as possible, in order to foster their "home

industries" was wrong. They copied what was done in Europe, believing, as they did abroad, that commerce was something in which only one side made a profit out of the other side. They had not yet awakened to a conception of the principle that both sides gained or else commerce would not be carried on. The people of this country have not yet fully awakened to it. When they do, they will see that protection is a drag on the country, because it prevents the free play of business intercourse between the inhabitants of different countries, to the mutual benefit of all.

Here in this country, before the Constitution of the United States was adopted, protection existed. The Constitution was adopted and with it free trade between the states. Did any harm result from it? No. Industry and commerce sprang at once into unexampled activity and the consequent free trade between the inhabitants of the different states. There is no doubt that in the same way, increased industry and commerce with the inhabitants of Europe would result from gradual emancipation from the fetters that protection now imposes upon us all.

PROTECTION HAS ALWAYS ASKED FOR MORE AND
MORE PROTECTION

At first protectionists only asked that American manufacturers be placed on an equality with for-

eign manufacturers sending their goods to this country, although the cost of freight gave them already an advantage. Their request was granted, and ever since then, at each revision of the tariff, their demands have increased. It is now evident that too much protection has been given them, for they are underselling foreign manufacturers in their own home markets with lower prices than they are selling the same products for here at home to their own countrymen. They can do this because the tariff keeps foreign goods out, here, but in Europe they sell in competition with the markets of the world, especially in England. It is evident the duties should be gradually reduced. But they claim that this will close their shops. Then their business is of such a peculiar nature that they cannot sell to Americans here at home at the same prices they sell to foreigners across the sea! The Republican party is not to be trusted on the subject of revision of the tariff, for it has broken its promises to do so. When the party started out in 1861, with the necessity for raising more revenue for war expenses, it said nothing about protection. Little by little, protection came to the front. At first protection was to be moderate and limited, even according to the claims of its friends. It demanded and obtained more and more until it became the dominating influence in Washington. It became evident at last that protection was overdone and the Republican party

promised reduction. It violated this pledge when Mr. Blaine, elected Speaker of the House, broke his promise to appoint Garfield as Chairman of the Committee of Ways and Means. It violated its pledge again when it passed the tariff act of 1883, the Republican tariff commission having advised a reduction of twenty to twenty-five per cent in its report of 1882, while the tariff of 1883 granted a reduction of only four per cent. These Republican pledges were violated again when the McKinley bill was passed and the doctrine was accepted that protection causes wealth. When they were violated again by the passage of the Payne-Aldrich bill, the country was aroused, but the advocates of high protection, under the direction of the "big business" interests of the country, have still continued opposition to the sentiment of the people of this country, oblivious of the fact that the greatest danger of precipitating too radical revision of the tariff lies in resistance to a moderate revision. One of the devices for resisting revision (meaning downward revision) — one that has been especially insisted upon of late years by high protectionists — is that no changes should be made in the tariff schedules until after we shall have obtained the report of scientific experts. But many excellent reports of this nature have been submitted to Republican Congresses in past years, and they were thrust aside with scorn through the control of Congress by the great busi-

ness interests of the country. What reason have we to suppose we shall fare any differently if we repeat the experiment? We have tried over and over again to carry out the theory that the tariff must be reformed by its friends, and it has miserably failed. As well expect a convention of barn burners to improve the laws concerning arson. Now let us try reformation of the tariff by its enemies, the method used in reforming other abuses.

PROTECTION WAS NOT A PART OF THE REPUBLICAN PARTY'S PROGRAM

It was only step by step, little by little, that the Republican party committed itself to protection. It is a part of the irony of history that the G. O. P., the party of freedom, that struck the shackles from millions of slaves, has now become the party of economic slavery. But there are still free trade Republicans as well as protectionist Republicans, and there are protectionist Democrats as well as free trade Democrats. Party lines were not drawn on lines of protection against free trade until the leaders of the Republican party, led into unfortunate alliance with "big business" interests, favored the cause of monopoly and special privilege. There are, however, too many free traders, whether Democratic or Republican, who abandon their principles as soon as an item in a schedule touches anything

relating to business in their own district. It is these renegades who have defeated tariff reform in a Congress in which the Democratic tariff reformers have been in the majority. The presence of such renegades in Congress may still be looked for, and the only way to resist and overcome their malign influence will be to have so large a tariff reform majority in command of Congress that their votes cannot prevent revision with downward rates.

THE REPUBLICAN PARTY WAS NOT PROTECTIONIST UNTIL AFTER THE WAR

Nearly sixty years ago the Republican party came into existence, and after fumbling around awhile as to its distinctive grounds for being, settled down, when the war came, as standing for the preservation of the Union, and finally, in order to preserve the Union, for the abolition of slavery. Protection formed no part of its program, for, without regard to party, the country had settled down into a policy of virtual free trade, that is to say, a tariff for revenue only. When the leaders of the Republican party found it necessary to raise the tariff rates, in order to increase the revenue to meet the expenses of the war, their tone was apologetic. It was explained that the increase was to be moderate and temporary only. From 1846 to 1857 tariff duties averaged 25.5 per cent, and from 1857 to 1861 they

averaged 20.5 per cent. Every protectionist of today would admit that these rates were to produce revenue only and not to protect. Propose these rates now to any protectionist and he would answer that under them all the mills and manufacturing establishments in the country would have to close. Yet we not only prospered under these low tariffs for revenue only, we actually grew rich faster under them than we ever have since then under high protective duties. Even then the country had outgrown the necessity for protection.

WHAT PROTECTION CLAIMS

The protectionist starts out with the assumption that he has a panacea for the ills of the nation; that he understands political economy and its laws better than its teachers and consequently commerce and the laws of trade, and he knows better how business should be run than people do when left to run it themselves; that, instead of leaving the intercourse of mankind and the interchange of their products to the free play of men's wants and their ability to meet them, he can better their exchange. He assumes that, left alone, merchants engaged in commerce will blunder, and therefore he, who knows how to make things go better, proposes to take a hand. He tells us the way to do this is to pick out a lot of ordinary men, elect them to Congress and

then let them impose such tariff duties upon all the people as will best subserve the interests of those who are to be thus benefited, under the advice and guidance of these interests, and to make such changes from time to time as these beneficiaries may inform Congress from time to time are necessary for the improvement of their different businesses, under the plea that this will diversify our industries, will be only moderate and temporary, will reduce prices in the end, will protect infant industries, will raise wages, will keep out goods produced by cheap pauper labor abroad, will develop our resources, etc. It is with all due respect to members of Congress that I speak of them as ordinary men, for, although there are always members with marked ability, natural leaders of men, it would be easy to pick out a body of much better, abler men at home who never are elected to Congress. Certainly the body of men constituting the Congress of the United States from time to time is not fitted to pass upon questions of economics that experts cannot agree upon, and certainly no rational method has ever been followed by Congress in determining tariff rates. The very fact that Congress, from time to time, has created commissions of experts to ascertain what these rates should be, shows that Congress recognizes its own inability to solve the problem. The further fact that the valuable reports and suggestions of these many commissions have not been adopted by Con-

gress, but have been treated as the footballs of politics, to be kicked and banged about, furnishes further proof of the incapacity or the inability of Congress to determine the problem, so long as the protected interests are allowed to frame the schedules or to have a voice in passing upon the rates suggested by disinterested experts.

Beginning with the admitted necessity of increasing the revenue to meet the enormous expenses of the Civil War, after years of successful administration of the finances of the country under a tariff which, if not purely a tariff for revenue only, was one approaching that condition and would be so considered now by protectionists, rates were raised, and, foreseeing that such increases in rates would be more or less protective in nature, it was urged that the increase would be moderate in amount and temporary only. Excise duties were imposed at the same time, under the new name of "internal revenue taxes," as we were still near enough to the Revolution for the term "excise duties" not to be pleasant to American ears. Excuses were offered to placate the feeling that the special privileges to be accorded to manufacturing interests through protection were undemocratic and un-American. We were told that we must build up new industries and supply our own wants, and thus create large home markets. We were assured that goods would become cheaper, of better quality, of greater variety, and we were to

have a surplus that would be sold all over the world. It was conceded that unless these results followed, the protected industries would be carried on at the expense of the whole people, and this was certainly an undemocratic proceeding, entirely at variance with American principles of government. But after half a century these results have not followed. On the contrary, duties have kept on going higher and higher, while internal revenue duties have been made lower and lower without regard to maintenance of any equivalence between the two systems, under the guidance of the protected interests. The appetite for protection grew and it was found to be easier to make money by sending men to Congress who would grant still further concessions of the special privilege of levying a tribute upon consumers, than by following old fashioned business ways. The "infant industries" of our country have grown to be giants, and they have used their power and wealth unlawfully to coerce Congress into giving them more and more, while in return for favors received, they have contributed to the campaign funds of our political parties, sometimes at the same time to those of both parties, until we have been in dire danger of falling into a condition of government controlled by the trusts. The rapacity of the protected industries has kept on increasing from year to year. The history of tariff legislation by Congress during the last fifty years is a story of ever-

increasing greed and corruption, until it has become a national disgrace. The successive tariff revisions of 1883, 1890, 1894, 1897, and 1909 all tell the same disgraceful story of log-rolling, of jokers, of trickery, deceit, and fraud.

INFLUENCE OF BUSINESS INTERESTS IN LEGISLATION

One of the evil consequences of protectionism that has imposed upon the country protective tariff after protective tariff, with ever-increasing duties, has been the constantly increasing recognition of business interests in framing tariff schedules. As Miss Tarbell says:*

Moreover, it was demonstrated clearly in 1883 that the size of the duty is according to the size of the organization. The quinine makers, even with Mr. Kelley's help, were unable to get their product off the free list, where it had been put in 1879, but they were a feeble folk—only four of them in the country! The pottery people, on the contrary, received an advance of some thirteen per cent on their wares, for they were strong in Ohio and New Jersey. Mr. Joseph Wharton, standing alone, had to submit to a reduction of fifty per cent on his nickel; standing with iron men he suffered a reduction of only four per cent on his pig iron. It was a great lesson in the value of organization and numbers.

* *The Tariff in Our Times*, p. 132.

IF PROTECTION IS SUCH A BENEFIT OUR STATES
SHOULD ADOPT IT

Section 10 of Article 1 of the Constitution of the
United States provides:

No state shall, without the consent of the Congress, lay any imposts or duties on imports or exports, except what may be absolutely necessary for executing its inspection laws; and the net produce of all duties and imposts laid by any state on imports or exports shall be for the use of the treasury of the United States, and all such laws shall be subject to the revision and control of the Congress.

Therefore each and every State of our Union, with the consent of Congress, may set up its own system of protection, a fact that would seem to have been forgotten by protectionists. For if protection is such a blessing and so enriches the state practicing it, as protectionism maintains, all the states can get rich by thus taxing each other's products. And further, according to sound protection doctrine, the wages of the working men would be much higher. This scheme would have another great advantage; that is, as all the duties thus levied would be paid into the treasury of the United States, the vast sum thus realized would be more than enough to pay all the expenses of the Federal Government. The ex-

cess, well invested, would provide an old age pension for every American. Thus we should be able to lift ourselves all up together by our boot straps!

THE INCREASE IN PRICES THROUGH PROTECTION
GOES INTO THE POCKETS OF THE PROTECTED
MANUFACTURERS

The workingman should remember that everything he wears and many things he eats and uses cost him from fifty to one hundred and fifty per cent more than they would but for the tariff. He should remember, further, that this increase in price does not go into the treasury of the United States, but into the pockets of the protected manufacturers. It is calculated that nineteen-twentieths thereof goes into the treasuries of the protected trusts. This is the penalty paid by the people of the United States for their misplaced confidence in the false principles of protection.

A BURDEN ON THE BACKS OF THE WORKINGMEN

We often hear it said that every peasant in Europe carries the burden on his back of the cost of supplying and keeping a soldier. We have no peasants here, but it would be equally true to say that every workingman in this country carries a heavy

burden on his back—his share of these extortions of the great trusts that have gradually grown to be the industrial giants of the earth, all the time masquerading as infant industries that cannot stand without protection.

THE COUNTRY IS NOT ENRICHED BY DIVERTING CAPITAL THROUGH PROTECTION INTO BUSINESS IT WOULD NOT NATURALLY FLOW INTO

The protectionist will tell you that a man who takes up a new business because he has obtained protection for it and becomes a millionaire through the tribute the tariff enables him to levy on all other Americans forced to buy his, rather than the foreign, product, has enriched the country by establishing a new industry. But he has merely diverted capital from some old business into his new business. We must remember that there is just so much capital in the country available for business purposes. Therefore the man who went into this new business did not create new capital for the business. He merely diverted existing capital into a new line of business in which more money could be made for the man going into it through the special privilege conferred upon him by the Government of levying a tribute upon every one buying his product. This

is not real business, it is mere favoritism in order to keep a pauper industry going. And because this man has thus become rich, it does not follow that the country is any richer than it would have been had the capital thus artificially stimulated into this protected business been left where it already was, or left free to be employed in some other enterprise.

The probability is that if we had never had any protection the country would be richer than it is now. We have become rich and powerful in spite of the tariff, not because of the tariff. There is, or once was, in this country an International Free Trade Alliance, maintaining that even a tariff for revenue is not the most efficient way to raise revenue for the Government. Gladstone once said he was inclined to think that a better way to raise a revenue could be devised than through a tariff of any kind. It is to be regretted that the fathers of our country, in writing its Constitution, did not forbid any tax upon imports as well as upon exports. Protectionism claims that if Congress lays a duty high enough to bar importation of certain goods (consequently cutting off the revenue therefrom to the Government) the country has become enriched without cost, because some one in this country can now make these goods. If this be so, the tariff is magic. An army and a navy to keep out these foreign goods would cost something, but here it takes but a few words to do the business.

THE THEORY THAT PROTECTION IS DYNAMIC AND
FREE TRADE IS STATIC

It is claimed that protection keeps society dynamic and progressive and prevents it from becoming static, as it would under free trade. These be high-sounding Greek words, excellent words for the purposes they were invented for in our various modern tongues—but, after all, what have they to do with protection and free trade? Suppose an English free trader were to write a book to maintain the theory that free trade keeps Great Britain dynamic and progressive, while if protection were adopted she would become static, would it not be equally valid?

PROTECTION MEANS THE SUPPORT, THROUGH A
TARIFF, OF PAUPER INDUSTRIES

In treating of the iron industry, Stanwood says:*

It has been asserted by some writers, on the strength of the fact that at various times the domestic ironmakers had produced nearly enough to supply the home demand, that the industry was already established and therefore needed no tariff encouragement. This proposition cannot be maintained. The industry had never been fairly prosperous save when foreign competition was cut off artificially by

* *American Tariff Controversies in the Nineteenth Century*, vol. 1, p. 233.

causes other than the tariff. If it be asserted that the reason of its non-success lay in the non-adoption of the best methods of production, that assertion is itself an admission that the industry was not established.

I consider an industry to be established when it can be shown that since its establishment a century or more ago it has been successfully carried on whatever changes may have occurred in tariffs. By "successfully carried on," I understand is meant a sufficient production nearly to supply the home demand. To hold otherwise is to claim that there must be sufficient protection to enable the inefficient in that industry to carry it on with profit and thus supply the whole demand. In other words, pauper manufactures must be given the right to demand toll from every consumer of their wares in order that they may be enabled to carry on indefinitely an otherwise unprofitable business. It is certainly a special privilege that is accorded them under such circumstances, for the Government gets no revenue. If it does, then the duty is not high enough to effect the desired object, the cutting off of the foreign supply in order to force the consumer to buy the home-made article of the pauper manufacturer.

In Stanwood's argument that, although a reason of non-success may be the non-adoption of the best method of production, . . . still that in itself is an ad-

mission that the industry was not yet established, I find further proof of the lingering in his mind of the notion that an industry must continue to be fostered by protection even though it is carried on at a loss, and this can be done by giving it more protection. This is exactly the cry of unsuccessful manufacturers every time there is a tariff hearing in Washington. They look to the Government for help to enable them to carry on their losing business. They are pauper industries. For years past all that any one had to do in the United States was to start a new and losing manufacture—a pauper industry—and then to go to Congress for protection enough to make it become profitable. If he had influence enough he got the needed protection. What otherwise would have been his losses now became made up to him by the special privilege of exacting tribute from other Americans using his products.

CHAPTER VIII

PROTECTION (CONTINUED)

PROTECTION LEADS TO POLITICAL CORRUPTION

BOTH our great political parties have been in the habit of receiving contributions from the trusts and others conducting great protected industries. That enormous contributions made are unsolicited does not help matters. Are millions given away for nothing to political managers, with no expectation of anything in return? It is a well established fact that the same business interests contribute large sums to both parties in the same campaign, so that, whichever wins, they will have secured friends in Congress. Even if the free traders (meaning always those who stand for a tariff for revenue only) are in the majority and can control legislation if all remain true to their principles, there have always been enough renegades among them who, by joining the protectionists, can defeat proposed tariff reform and secure favors for the industries in their own districts. Witness the actions of Senators Gorman and Brice. They were elected as Democratic tariff reformers, but they forsook their principles and so impaired the Wilson tariff reform bill, with

the aid of Republican protectionists, that it became law without the President's signature. Cleveland stigmatized it as "a measure of party perfidy and party dishonor;" and the Republican Speaker, Reed, disgusted with the trading going on, spoke of it as "a complete abandonment of the fundamental principles of tariff reform."

The House passed the Mills tariff reform bill of 1888, but the Senate was then Republican and protectionist, and, in spite of the expressed will of the people, the bill was turned into a protectionist measure.

To add to the complexity of the situation, there is sometimes an understanding that certain Democrats who are protectionists at heart shall be returned to Congress by the aid of Republican votes. In return for the support of these men as members of the House, certain favors are given to them. It was thus that Randall, who was a Democrat, was elected again and again to Congress from a Republican district in Pennsylvania, by Republican votes. Although nominally representing Democratic principles, he could always be depended upon to vote with Republican protectionists for any proposed new protective extortion.

Then there are always Democratic tariff reform men to be found in Congress who shout for a tariff for revenue only (which is free trade, I must insist) until a schedule is reached that touches some industry

in their own district—and they vote for protection on that particular item. The classic instance is that of a member of Parliament from a borough where fishing was the principal business. He was in favor of free trade in everything except in herrings!

In one way or another protected industries are given to understand, every time a new tariff bill is to be framed, that they have grown rich under protection; that a contribution is expected; that another increase in tariff rates will bring it all back to them again, so “down with the cash.” If this is thought to be too plain English, read what a president of a political league wrote in 1888:

The manufacturers of Pennsylvania, who are more highly protected than anyone else and who make large fortunes each year when times are prosperous, are not giving as they ought to. If I had my way about it, I would put the manufacturers over the fire and fry all the fat out of them.

The treasurer of the National Republican Committee of 1888 wrote to his campaign workers in Indiana: “Divide the floaters into blocks of five and put a trusted man with necessary funds in charge of these five, and make them responsible that none get away and that all vote our ticket.”

When the great life insurance companies were found to be paying hundreds of thousands of dollars to campaign committees, of course it was to secure

protection — that is, special privileges — to the manufacturing, mining, and other industries whose shares of capital stock they owned in enormous amounts.

In every one of our late campaigns, one or more of the more powerful United States Senators, knowing where the big contributions come from, sees to it that due return in tariff and other favors is made.

Henry L. Nelson, professor of Political Economy, writing in 1900, said that since 1875 Congress has but affirmed or ratified the decrees of the beneficiaries of the tariff. To these low depths the great Republican party, the party of high moral principles, has fallen! And yet we continue to be told that the tariff must be reformed in the hands of its friends. As already said, we may as well expect to see the laws concerning arson reformed by a convention of barn burners!

FRAUD PRACTICED TO PRESERVE PROTECTION

In 1880 Indiana was carried by "bright, new, crisp, two-dollar bills" furnished by S. W. Dorsey, secretary of the National Republican Executive Committee. Mr. Arthur, soon to be inaugurated as Vice-President, said at a dinner at Delmonico's in 1881: "Indiana was really, I suppose, a Democratic state. It had been put down in the books always as a state that might be carried by close and

perfect organization and a great deal of—" He hesitated and everybody laughed. He went on: "I see the reporters are present, therefore I will simply say that everybody showed a great deal of interest in the occasion, and distributed tracts and political documents all through the state."

Then came "the monopoly dinner," "Belshazzar's Feast," as the newspapers called it, a millionaires' dinner, at which were represented all the various "special interests," not tariff interests only, but the Standard Oil Company, the great railroads and trusts, monopolies, and special privileges.

HIGH PROTECTIVE LEGISLATION IS OBTAINED THROUGH "LOG-ROLLING"

The fact is that no tariff legislation for protection purposes has ever been possible in the United States except through a compromise of interests. The various industries seeking protection have in every instance "pooled their issues" and met each other in a spirit of concession, ignoring the injury in order to secure the benefits coveted by each. There is no other way possible to spread the mantle of protection over such diverse and antagonistic interests. To be successful, every tariff bill proposed for protection purposes must favor a long list of industries and thereby control a majority of Congressional votes. The Morrill tariff is an excellent illustration

of this. After one of the seventeen successful bills for its revision had passed, Senator James W. Grimes of Iowa wrote as follows:

“You may rely on what I say when I tell you there are not three men in the Senate whose honest convictions were for the bill. They voted for it by a sort of coercion — one, because wool was in it; another, because iron was in it; another, because lumber was in it, etc.; but all condemning it as an entirety.” Evidence of this kind is abundant on every hand. Merit in a tariff bill is not the thing that wins. Its success hinges on such an adroit recognition of interests and such a skillful balancing of favors as to coerce a majority of the votes. It may not be considered a crime in Congressmen that they should vote for a hundred harmful features of a bill, since there is no other possible way to secure the one great benefit which their constituents demand. But the inquiry may well arise in the mind of every American voter: Is it possible that a system which always and of necessity compels practices of such questionable propriety can lie within the scope of honest and beneficial legislation? *

President Garfield told the political economist, Professor Perry, that, while he was a member of the Committee of Ways and Means in Congress, “the individuals and delegations who came before the committee to get new duties put on or old ones

* Edward Taylor, *Is Protection a Benefit?* p. 54.

raised, came with the basest selfishness, and without a thought or a care but for the extra price of their products." As Taylor says: *

It may be historically demonstrated that there never has been a tariff bill enacted by the American Congress for purposes of protection that was not shaped, manipulated, and passed under the clamorous dictation of the very men who expected to reap profit by getting an artificial price for their goods at the expense of all the rest of their countrymen.

FURTHER ILLUSTRATION OF PROTECTION FRAUDULENTLY OBTAINED

In 1867, and afterwards, the Pacific Mail Steamship Company secured subsidies from Congress amounting to millions of dollars. In 1874 it was shown that the president of this company, with the knowledge of its directors, spent nearly a million dollars among members of Congress and others, to secure subsidies. One member of the House was found to have received three hundred thousand dollars. Through failure of memory he could give no account of what he had done with it. Circumstances pointed to its distribution among members of Congress. The name of a hitherto honored Vice-President of the United States was brought into connection with this scandal, and he disappeared from public life.

* *Is Protection a Benefit?* p. 51.

GOVERNMENT RECEIPTS VS. COST TO CONSUMER

The amount actually received by the Government for duties is but a small part of the extra cost to consumers of the home article, caused by the tariff. Whatever may be the sum paid into the treasury of the United States through protective duties so high that they limit importation (and unless they do this they do not protect), they are many times, perhaps twenty fold, exceeded in the case of foreign goods shut out by high duties, by the extra price imposed upon the American consumers. The higher the protective duty, the less the revenue it yields to the United States and the greater the extra cost above the cost of production it imposes upon the American consumer of the American substitute. Another and unexpected consequence follows; the fostering of a foreign market for these home-protected products, at lower prices than the home prices to Americans, and the greater the protection the greater is the difference in price for the same American goods at home and abroad. The greater the profit made out of the American purchasers, the lower the maker can sell such articles abroad. Sometimes, as in the case of American watches, this difference is so great that they can be bought abroad by some enterprising American, brought back to this country and then sold here at a profit, for less than the makers' price here for the same watch (there being no duty on re-im-

ported American products). This so stirs the wrath and indignation of high protection Congressmen that they are almost beside themselves when they talk on the subject, and they resort to abuse of the re-importer, calling him all the bad names they can think of. That this is no exaggeration will be admitted upon reading the debate in Congress on this subject.

During the year 1912, American watches being for sale in England at much lower prices than in the United States, an enterprising firm saw an opportunity to make money by buying these watches in London, bringing them back to the United States and selling them below the price of the makers for the same grade of watches here. But the American makers saw that this would prevent their selling the same grade of watches at their usual high price, so they sold their stock in London with the stipulation that it should be shipped to Egypt. They even went so far as to have their agent oversee the actual shipment to Egypt. But the purchaser outwitted them, for, upon receipt of these watches in Egypt, they were immediately shipped to New York and sold there. Even with the cost of freight to Egypt and from Egypt to New York added, although sold below the maker's price in New York for the same grade of watches, the enterprising purchaser realized a profit on the transaction. But protectionists

still maintain that American products are not sold cheaper abroad than here where they are made!

Stanwood says:*

The distribution of the price of merchandise makes no difference to the purchaser after the money passes from his hands. It neither injures nor benefits him if the amount of a duty assessed upon the pocket-knife which he buys goes to the treasury or to the cutler. All he cares for, unless he be greatly interested in the tariff question, is whether the knife is cheap or dear.

I submit that this is misleading and unfair. The cheapness or dearness of the knife depends entirely upon whether a one dollar knife is sold for two dollars in order that there may be a dollar either for the treasury or the cutler. Does it make no difference to the purchaser that he pays two dollars for a one dollar knife in order that there may be a rake-off of a dollar to go somewhere else!

The fact is that our manufacturing and other industries have become so successful, rich, and powerful that they have passed the point of supplying our own people only, and they must have the outlet furnished by the markets of other countries. But to sell at one price in the United States and at another price in Europe will not do. Remove gradually the

**American Tariff Controversies in the Nineteenth Century*, p. 301.

protective features of our tariff and Americans will be treated as well as foreigners, that is, with the same prices. Gladstone told an English audience:

As long as Americans adhere to the protective system, your commercial primacy is secure. Nothing in the world can wrest it from you while America continues to fetter her own strong hands and arms and with these fettered arms is content to compete with you who are free, in neutral markets.

PROTECTION MASQUERADES UNDER A FALSE NAME

Every tariff act of our Congress intended to protect home manufacturing by keeping out foreign goods by duties high enough to cut off or to limit importations, begins with a false pretense in the title: "An Act to Increase the Revenues of the United States . . ." If the expressed object were the real object, it has only been necessary to lower the rates at any time during the last forty years, and the increased imports at such lower rates would have yielded more revenue. No protectionist has ever dared to introduce a protective tariff bill into Congress entitled "An Act to Afford Protection to Certain Industries." There has always been a well-founded, lingering fear that such a law would be declared unconstitutional by the Supreme Court of the United States. The arguments to the contrary are not convincing.

Judge Cooley says:*

Constitutionally, a tax can have no other basis than the raising of revenue for public purposes, and whatever government has not this basis is tyrannical and unlawful. A tax on imports, therefore, the purpose of which is not to raise revenue, but to discourage and indirectly to prohibit some particular import, for the benefit of some home manufacturer, may well be questioned as being merely colorable and therefore not warranted by constitutional principles. As it is a duty from which revenue may be derived, the judicial power, where the motive of laying does not appear on the face of the act, cannot condemn it as being unconstitutional; but it is none the less a violation of the Constitution by the legislator who knows its object and levies the duty from a motive not justified by the Constitution.

PROTECTION IS DENIAL OF THE RIGHT TO LIBERTY OF TRADE

Protection says: "You shall not buy in the market you want to buy in, unless you pay a tax imposed to prevent your buying in that market." This is a denial of the right of every American to buy and to sell where he may want to. It was left to protectionists to discover that it is economic wisdom to interfere with, to hinder and to prevent, by law,

* Quoted by Rep. Bartlett of Georgia in a speech in Congress, Jan. 26, 1912, *Congressional Record*, p. 9331.

trade between the inhabitants of two or more countries that is profitable to them all. John Bright said:

Protection has upon it a taint of the great wrong of slavery. It does not steal the laborer, but it steals his labor, it taxes it cruelly, it lessens its results and its profit, and turns it into channels less useful to the laborer.

Free trade (that is, a tariff for revenue only) has no such results, does none of these things, yet brings in the necessary revenue to the government without interfering with commerce.

PROTECTION IS INCOMPATIBLE WITH A TARIFF FOR REVENUE

Protectionism advocates the imposition of taxes on imports for other purposes than the production of revenue, on the ground that incidental advantages will result. Yet it claims that the protective tariff yields a revenue, forgetting that the protection sought is secured only to the extent to which foreign commodities are kept out by high duties, while revenue to the Government is secured only to the extent to which low duties encourage the letting them in.

A DIMINUTION OF TARIFF RATES WILL INCREASE
THE REVENUE THEREFROM

If by a reduction of tariff rates it be reckoned that receipts will be diminished \$75,000,000 or more, it must be remembered that lowered rates will cause an increase in imports and consequent increase in tariff duties receipts that will in part, and may entirely, prevent this diminution in receipts.

We see, therefore, that a protective tariff is not adopted for the purpose of yielding a revenue to the Government. It is adopted and maintained for the benefit of the pauper manufacturers of this country, who cannot carry on business without this power to tax all the consumers of their products in this country to keep their unprofitable businesses alive.

PROTECTION IS A SYSTEM OF UNENLIGHTENED
SELFISHNESS

It is an attempt so to arrange business that all the profit may be made by Americans and all the loss may be met by the foreigners with whom we deal. This results from ignorance or neglect of the fact that in commerce both profit by the exchange or it would not be made, for it is voluntary, not compulsory. If interfered with by an artificial law (protection), commerce will be impeded. In the minds

of many protectionists, what is really meant by protection is protection of *my* industry, not of *yours*, unless I must consent to protect yours in order to gain your consent to protect mine. The very object of protection is to confer a special privilege on somebody or somebodies. Protection and special privilege mean the same thing. Both are undemocratic and un-American.

PROTECTION CONSULTS THE INTERESTS OF THE FEW

It is but natural that those who are enjoying a special privilege (protection) should maintain vigorously and believe sincerely that the system that enables them to prosper is the best system possible. Therefore they support the system that consults the interests of the few, comparatively, at the expense of the many, that is, the whole body of the consumers in the United States.

CHAPTER IX

PROTECTION (CONTINUED)

PROTECTION, A SPECIAL PRIVILEGE TO A FEW, CAN-
NOT BENEFIT THE MANY

IT IS a fundamental error of protectionists to suppose that all the inhabitants of a country can be benefited by granting to a few of them the special tribute of exacting a tribute from all. This is equivalent to holding that, although no one can lift himself by his boot straps, yet, if we grant the privilege to a few of exacting help from others in the attempt, it can be done if all pull together.

Protectionists forget that all the inhabitants of a country are supported by all the inhabitants of the country. They think that, by a cunning device they call protection, they can cast part of this burden of supporting all the inhabitants of a country upon the inhabitants of another country. It cannot be done. Even if it could, and all countries adopted it, we should only be in the condition of the row of monkeys in cages in a menagerie, each one of whom neglects his own food to reach around into the next cage to get his neighbor's food. When the cages are in a circle, as nations are, no one gains by this manœuvre.

PROTECTIVE DUTIES BENEFIT THE FEW AT THE
EXPENSE OF THE MANY

Protective duties are the tributes or tolls the Government forces all consumers to pay by law into the treasuries of the protected manufacturers. It is "prize money," the division of part of which is quarreled over through strikes. But the real question that concerns the great body of consumers, the American people, that pay these tributes or tolls, is, how does it benefit all Americans to tax all Americans for the benefit of a part of all Americans who are, comparatively speaking, only a few? Of course it benefits all the Americans who are thus enabled to put some of the money of all Americans into their own pockets, but how does that benefit Americans generally? Of course it benefits bank robbers to rob banks and put the money into their own pockets, and it would greatly facilitate this operation if a law protected them in so doing, but how would that benefit all banks as a class? Of course, as before stated, it benefits pickpockets to pick pockets, especially if a law protects them in doing so, but how does that benefit all those whose pockets are picked?

PROTECTION IMPOSES A BURDEN ON EVERY
CONSUMER

Protective taxes prevent every man's income from going as far as it would were there no such tax. He

must go without or buy less of what is enhanced in price by the tax that brings in little or no revenue to the government, but, nevertheless, levies a tribute on everyone to benefit the few in the protected industry. It does not help matters that all the producers in all the protected industries are thus mulcting all the consumers. It makes matters worse; for, if all the consumers pay a higher price for everything, those among them who are workingmen must either have higher wages or must get along with less of the necessities of life, or must give up the attempt to lay by something for their old age. We ignore the very evident economic truth that all the inhabitants of this country must be supported by all its inhabitants. The true, democratic, American way is to allow everyone to support himself and his own family without depending on government aid. Yet protectionists would have it that if we all tax each other we shall all grow richer. Is not this magic? We must remember that the more effective the protection, the less it yields the government, and the greater the cost to all the consumers.

PROTECTIVE TARIFFS RAISE PRICES

While American protectionists deny that protective tariffs increase prices, some of them admit that such tariffs have that effect in other countries. Thus, an American consul in Austria, a country with a high

tariff, writing on the increase of prices there to the Committee on Ways and Means of our Congress, said:

Tariffs have distinctly raised prices. The protected Austrian producers take the entire benefit of the tariff, keeping their prices at as high a figure as possible without permitting importation.

Is any American voter green enough to think that protected American manufacturers do not follow the same course?

Admitting that protective tariffs raise prices, some protectionists claim that prices have gone up everywhere, in free trade England as well as in protective France, Germany, and other protected countries. They ignore the fact that prices have gone up less in England (because open to buy everything where its people can find the lowest prices) than in any country that is under a protective system.

AMERICAN MEAT IS CHEAPER IN ENGLAND THAN IN THE UNITED STATES

In August, 1912, American sirloin of beef sold in London for nineteen and one-half cents a pound, while it was selling in New York for twenty-eight cents. During the first eight months of 1912 over three million dollars' worth of cattle, sheep, and hogs were thus exported from the United States, in spite

of the fact that the price was so much less in London than in New York. The explanation is that prices are kept up in the United States by the great beef packers, while foreign meat at lower prices is kept out by the tariff. What the beef packers cannot sell here at their own high prices is exported and sold in London subject to world competition, the prices being determined by the competition of South America, Canada, and Australia. The English get their meat cheaper than we do because they maintain a market open to the competition of the world. If the great American beef packers are able to form a trust that will control the meat supply of these other countries, they may succeed in screwing up the prices of meat in England and elsewhere to the same point they keep them at in the United States.

PROTECTION IS THE GRANT OF SPECIAL PRIVILEGE

Under protection all consumers pay a tax, toll, tribute, or "prize money," call it what you will, to a few of their own number, to enable these few to carry on some business, some pauper industry, that otherwise they could not carry on profitably. This does not create wealth nor effect economy in the use of existing wealth. It only diverts capital into new channels at the expense of all. If protection creates wealth, all we need do is to stop all importation by an absolutely prohibitory duty and make it a criminal

offense, punishable, if necessary, by death, to bring any foreign manufactured article into this country. This would enable American manufacturers to raise prices to the point of the cost of the imported article with the duty added, and even beyond it—and straightway we should all become rich beyond the dreams of avarice. This would enable manufacturers to pay many times as much for wages as they pay now, according to protectionists. But as a matter of practical life we know well enough that even then the price of wages would be determined by the law of supply and demand, and manufacturers would continue to pay the going rate of wages, while obtaining an artificial high price for their products through the special privileges conferred upon them by protection.

If you are a protectionist you may say this is nonsense, but listen to what Horace Greeley wrote to Garfield:

If I had my way, if I were king of this country, I would put a duty of one hundred dollars a ton on pig-iron, and a proportionate duty on everything else that can be produced in America. The result would be that our people would be obliged to supply their own wants, manufactures would spring up, competition would finally reduce prices, and we should live wholly within ourselves.

Henry C. Carey, an arch-apostle of protectionism,

wrote, "It would be better, commercially, for this country if the Atlantic Ocean were a sea of fire."

No one then foresaw that under high protection, when fully and finally established, instead of any lowering of prices through competition, the result would be the elimination of competition through the formation of trusts, foreign competition being cut off by the tariff, and that American products would be sold cheaper abroad than at home.

ALLIANCE OF COTTON AND WORSTED INTERESTS WITH POLITICS TO GET AND PRESERVE PROTECTION

Miss Tarbell says:*

The fact is that this great politico-industrial alliance of cotton and worsted has been the backbone of protection—not of protection as the country understood it, but of *protection as Mr. Aldrich understood it*. To Mr. Aldrich, protection never has been a set of principles to be applied with care and candor. It has always been a trading system. I think it is entirely fair to Mr. Aldrich to say that from his first connection with Congress he saw that the tariff, properly worked, was the surest road to power and to wealth that this country offered to a politician. He saw the trading possibilities in it, and he intelligently and persistently gave his great ability to developing them. The backbone of the system he worked out was this alliance between cotton and

* *The Tariff in Our Times*, p. 326.

worsted. In that alliance he had a dependable block of votes with which he could carry to success almost any duty which would strengthen the party, oblige a friend, or help his own pocket. This block of votes was behind practically every increase and manipulation in the bill of 1909. To Mr. Aldrich's credit, let it be said that he has made as little pretence that he was not carrying on a traffic in duties as any man in the business. On the whole, he may be said to have been frank about it, especially in private.

There are three high protectionists who have done more by their work on the tariff to foment socialism in its worst form than any three Socialists. These men are Aldrich, Lippitt, and MacColl.

PROSPERITY IS NOT THE RESULT OF HIGH TARIFFS,
NOR ARE PANICS THE RESULT OF LOW TARIFFS

Upon examination of the claims made by protectionists that prosperity has resulted from tariffs imposing high duties, and panics, depression, and ruin from tariffs even tending only towards free trade (meaning thereby tariffs for revenue only), and also of the sometimes extravagant counter-claims of free traders that prosperity has resulted from the adoption of free trade principles, an impartial investigator must come to the conclusion reached by Taussig, that

many of the assertions of protectionists now firmly imbedded in the minds of stand-pat Republicans are due to bad reasoning and ignorance, and are based upon the one-sided treatment of the subject by Henry C. Carey, the writer of many books making extravagant claims in favor of protection. No fair-minded person having even a superficial knowledge of the economic history of the period can long entertain Carey's notion that the crises of 1837 and 1839 were caused by the compromise tariff of 1833, or were in any way connected with it. These crises were due to many causes having nothing to do with the tariff, such as Jackson's financial mistakes, inflation of the currency by wild-cat banks, speculation and unduly expanded credits. By a similar process of bad reasoning it is still repeatedly asserted in speeches, even in Congress, that the panic of 1893 was caused by the Gorman-Wilson tariff of 1894. By the same kind of reasoning Carey and his followers have claimed that the panic of 1857 was caused by the tariff act of 1857. This is an unwarrantable inference, even though we admit that this act was passed seven months before the panic, instead of months afterwards, as was the case in 1893-1894.

It was in anticipation of the panic of 1857 that the tariff act of that year was framed, and it was adopted with the hope that it would help to avert the foreseen result. It failed to prevent it, but no one at

that time conceived the later peculiar protectionist idea of attributing the panic to the tariff.

On this point Taussig says:*

The tariff system of a country is but one of many factors entering into its general prosperity. Its influence, good or bad, may be strengthened or may be counteracted by other causes; while it is exceedingly difficult, generally impossible, to trace its separate effect. Least of all can its influence be traced in those variations of outward prosperity and depression which are marked by "good times" and crises. A protective tariff may sometimes strengthen other causes which are bringing on a commercial crisis. Some such effect is very likely traceable to the tariff in the years before the crisis of 1873. It may sometimes be the occasion of a revival of activity, when the other conditions are already favorable to such a revival. That may have been the case in 1843. But these are only incidental effects, and lie quite outside of the real problem as to the results of protection. As a rule, the tariff system of a country operates neither to cause nor to prevent crises. They are the results of conditions of exchange and production on which it can exercise no great or permanent influence. Remarks of the same kind may be made on the frequent assertion that the prosperity of the country from 1846 to 1860 can be traced to the low duties then in force. He who is convinced, on grounds of general reasoning and of general experience, that the

* *Tariff History of the United States*, p. 121.

principles of free trade are sound and that protective duties are harmful, can fairly deduce the conclusion that the low tariffs of 1846 and 1857 contributed, so far as they went, to general prosperity. But direct connection cannot be traced. A number of favorable causes were at work, such as the general advance in the arts, the rapid growth of the railway system and of ocean communication, the California gold discoveries. There is no way of eliminating the other factors and determining how much can be ascribed to the tariff alone.

Predictions of disaster, with organized calamity howling, have followed announcements of reduction in the tariff; but, with the good common sense characteristic of Americans, as soon as the election is over this all ends, the predictions remain unfulfilled, and they are soon forgotten. So are the past brilliant anticipations of protectionists at every upward revision of the tariff. Some of these predictions read strangely enough when read in the light of knowledge of actual results. Thus, in 1849, Abbott Lawrence, a leading manufacturer in Massachusetts and a protectionist, anticipated, "All this [a general crash] will take place in the space of eighteen months from the time this experimental bill goes into operation; not a specie-paying bank doing business will be found in the United States." Nathan Appleton, another great manufacturer, made a similar prediction in his *Review of Walker's Report*. Undeterred by the failure

of these predictions, protectionists still continue to make them, and they still continue to remain unfulfilled. Lovers of their country were ashamed to see a President of the United States abusing his position by prognostications of woe in the fall of 1912 in case his party should suffer defeat at the polls, and an honored ex-President of the United States predicting that "the establishment of the Democratic principles of free trade, if adopted, will close the manufacturing establishments of the country and will bring on nation-wide disaster." No political party is the sole repository of economic truth, administrative ability, and patriotism. Half of the voters of the country are not proposing to ruin it.

EVEN PROTECTIONISTS ARE NOT SATISFIED WITH THE TARIFF

In a speech on the tariff before the United States Senate by Senator Bacon, May 7, 1909, he quoted from an interview with H. E. Miles, chairman of the tariff committee of the Manufacturers' Association and president of the National Association of Agricultural Implement and Vehicle Manufacturers, and a Republican, in which Miles said:

The annual output of the manufacturers of the United States, as shown in the last census, is valued at \$14,800,000,000. The tariff which covers the

prices (of these manufactures) is inexact, antiquated, and inapplicable at the present time. Scarcely a single schedule has any honest and direct application at this time to the principle of protection. Under present conditions the tariff is not a protective tariff in any sense. It is a tariff of graft and discrimination, hurtful in a thousand ways. From one-half to two-thirds of the stuff made under this tariff bears to the consumer an unjust and unreasonable price because of the tariff. It is estimated by competent authorities that the graft, overcharge, and wrong done the American public because of the present tariff reaches \$3,000,000 in a working-day. We have the facts, schedule by schedule, and are prepared to make the details public, should we receive opposition to our demand for a permanent tariff commission, through the appointment of which a proper adjustment of the tariff can be procured. We are not agitators or reformers. We are mostly Republicans and all protectionists.

In the course of the colloquy that followed Senator Aldrich asked Senator Bacon, "How much does it cost the American people to maintain the protective tariff?" Senator Bacon answered that it is variously estimated by different people, by some as low as five times, and by others as high as ten times, the amount realized from the protective tariff at the custom house. Taking seven as a conservative estimate, the Senator said it would be two billion dollars a year taken out of the pockets of the consumers of

the country in the increased cost of articles, which increased prices go into the coffers of the producers in whose interest the protective tariff is made.

PROTECTION IS AN ARTIFICIAL STIMULUS DRAWING
CAPITAL FROM PROFITABLE INTO UNPROFIT-
ABLE INDUSTRY

Adam Smith pointed out long ago that it is wasteful for a government to undertake to divert capital from one industry into some other. The industries already existing have the capital employed in them that their wants require; or, if not, more capital will soon flow into them, tempted by the evident profit whenever the demand is greater than the supply. But when, by an artificial stimulus (protection) capital is called for to carry on the protected industry, it must be withdrawn from some industry already established, causing a rise in the rate of interest. Protection is the artificial stimulus that thus draws capital from some established business into another industry, feeding the new industry with pap drawn from the consumers in the higher prices they must henceforth pay to the manufacturer. One of the objects of protectionists, according to its advocates, is the diversion of a part of the capital and labor of the country out of the channels in which they would otherwise flow, with profit, into new industries they would not otherwise flow into, because unprofitable.

This diversion is brought about through the coercive power upon capital of the artificial profit held out by the government to capital to undertake what otherwise it would not undertake.

It is evident, too, that the new, protected industry must offer more profit than the old, unprotected industry, else capital would not be tempted to make the change. As Professor Sumner says:*

People would need no coercion to go into a new industry which had a natural origin in new industrial power or opportunity. No coercion is necessary to make men buy dollars at ninety-eight cents apiece. The case of coercion is when it is desirable to make them buy dollars at one hundred and one cents apiece. Here the statesman with his taxing power is needed and can do something. What? He can say: "If you will buy a dollar at one hundred and one cents, I can and will tax John, over there, two cents for your benefit; one to make up your loss, and the other to give you a profit." This is protection, falsely called "The American System."

But the real American system is one giving equal freedom and opportunity to all, without restraint, coercion, favor, subsidy, special privilege, monopoly, prize money, or interference by the government. Protection obliges all consumers—that is, everybody—to pay a premium to the few protected producers (for, compared with the consumers, they are

* *Protectionism*, p. 44.

few) who are carrying on otherwise unprofitable industries. It is a special privilege conferred by law upon certain producers to enable them to mulct all consumers enough to carry on with profit pauper industries they would not otherwise engage in.

PROTECTED INDUSTRIES ARE A DRAG UPON THE
WHOLE COUNTRY

Taking protected industries at their own word, they are carrying on their business at a loss but for protection, for they tell us that without this special privilege of taxing the consumers of their wares they cannot carry on business, but must shut up their shops and mills. That is to say, the reason they do not carry on their business at a loss is because what otherwise would be loss is made up to them by consumers in the extra price government favor (through the tariff) enables them to obtain. In other words, protected industries, like insane asylums, poorhouses, reformatories, and prisons, are maintained by the rest of the community out of the profits they derive from unprotected and unprivileged industries. They are parasites, pauper industries living on the profits of the rest of the country. The more of them there are and the bigger they are, the worse it is for the rest of us. We should all be better off without them. Protection is, therefore, a drag upon the development of the country.

CHAPTER X

PROTECTION (CONTINUED)

PROTECTIONISM CLAIMS IT WOULD INJURE US TO
OBTAIN SUGAR CHEAP OR WITHOUT COST

IN 1902, ostensibly upon the ground that beet sugar was cheap in Russia because of a bounty, but in reality in the interest of the Sugar Trust, Congress levied what it called a countervailing duty on Russian beet sugar to prevent competition with American labor employed in raising sugar cane and beets and in making sugar. One of the frequent results of protective legislation is that it gives rise to hostile legislation in reply. So in this case the Russian government retaliated by raising her duties on American exports of metals and their wares. One not obsessed by the hallucinations of protection might think it would be a good thing for us Americans if we could buy sugar at a low price. But protectionists know better than that; they know that it is the interests of the sugar producers that must be consulted, not that of the sugar consumers. Therefore, if the heavens should rain sugar, as they are supposed to have rained manna of old, so we could all have

sugar for nothing, absolutely free of cost, we must all pray to God to stop the supply, that cost nothing, because it would interfere with American labor and capital engaged in raising sugar cane and beets and in making sugar!

BOUNTIES ARE UNCONSTITUTIONAL

Article I, section 8, of the Constitution of the United States provides that Congress shall have power to levy and collect taxes, duties, imposts, and excises to pay the debts and provide for the common defense and general welfare of the United States, but all duties, imposts, and excises shall be uniform throughout the United States. The purposes for which money raised by taxation can be used is, therefore, expressly limited to payment of the debts and to provide for the common defense and general welfare. This must be for a public purpose; or, as defined by Richard Olney, "It is the power to raise money from the public for the public." If the general welfare is subserved by a bounty on sugar (cane, sorghum, beet, maple, etc.), it can be subserved by a bounty on anything, and there will be no limit to giving away the public money. As Mills said, during the debate in 1890, why should not the people who are raising corn, cotton, wheat, oats, hogs, beeves, all slip up to the counter and say, "We will take sugar in ours, too?"

PROTECTION IS INCORRECTLY CALLED "THE AMERICAN SYSTEM"

Henry Clay was a brilliant, able, but not well-educated man, with but little knowledge of political economy. He was brought up in a community with but little opportunity to study it, and the subject itself was as yet almost unknown. He cast a glamour over protection by calling it "the American system," and he may have invented the term. But that even then this designation was known to be incorrect, note what Webster said, "I am a little curious to know with what propriety of speech this imitation of other nations is denominated as an 'American' policy; while, on the contrary, a preference of our own established system as it now actually exists, and has always existed, is called a foreign policy." In 1820 he said, in a speech delivered in Faneuil Hall, that our protective tariff system was "a policy that no nation had entered upon or pursued without having found it to be a policy that could not be followed without great national injury, nor abandoned without extensive individual ruin." This was the reason he came at last to support protection when once unfortunately established. But he did not call it "the American system," because he knew that other nations had tried it for centuries, and, therefore, there was nothing "American" about it.

PROTECTION BEGETS INEFFICIENCY, DETERIORATION
IN QUALITY, AND DEPENDENCE ON GOV-
ERNMENT FAVOR

One of the bad results of protection concerning which protectionists say nothing, is the deterioration in the quality of home goods it brings about, and the indifference it begets about improved processes or improved machinery. The greater the protection, the poorer is the quality of the home manufacture, for the less is the dependence of the manufacturer upon the wants of the consumer. It is an insult to your kitchen to buy the miserable stuff made for it. The coal hod must be renewed every few months. The tin pans are hardly worth carrying home. The copper teakettle, and other copperware tinned over, no longer lasts as it used to, and is so thin it cannot be repaired. If you want a good tin roof, so called, you must buy foreign tin plate, high in price through the tariff. Ever since the "protection" of the tin plate industry of this country tin plate has deteriorated in quality. Galvanized ironware rusts right out unless you buy the imported article, because the iron is so impure that, when wet, electrolysis causes its rapid oxidation. So poor is the tinware pipe for water spouts and conductors that it is not worth putting up, and it is necessary to use iron pipe, which is clumsy and heavy, or copper pipe, which is dear. Ordinary rubber goods are of wretched quality.

Overshoes are not to be compared with those made abroad that are kept out by the tariff. The manufacture of rubber goods is carried to such a degree of perfection (?) that it is said many so-called rubber goods contain ninety per cent dirt—or foreign material, to give it a better-sounding name. According to the evidence of men in the cutlery business, we have now been long enough under protection for the greater portion of the American public to have forgotten what good cutlery is. If you want cotton cloth that will last you must buy it unbleached. So poor is some of the cloth made by our protected woolen mills that there has been an organized revolt against it by makers of clothing. Restore competition by the gradual reduction of excessive duties and the quality of home-made goods will be improved.

DETERIORATION IN QUALITY OF CLOTH

If this be doubted, look at the evidence laid before Congress during the debates on the Payne-Aldrich bill of 1909. Representative Longworth read before the Committee on Ways and Means a letter from a manufacturer of clothing in his district in which the writer complained, "I never handled cloth of so inferior a quality as I do now. Laborers, mechanics, and farmers who use ready-made clothing are receiving practically no value for their money." A committee of the National Association of Clothiers protested to Congress:

Standard winter worsteds, which twelve years ago ranged from twenty-one to twenty-four ounces in weight per yard, have gradually been decreased in weight, so that they now range from fourteen to sixteen ounces per yard: standard spring worsteds which ranged from fourteen to sixteen ounces in weight per yard have gradually been decreased, so that they now range from nine to twelve ounces per yard. In consequence, a deterioration of fully thirty-three and one-third per cent in weight has taken place, in addition to the establishment of a much higher range of prices for the same qualities of goods. The clothing manufacturer, therefore, through the inability of the cloth to stand ordinary wear, is largely deprived of the opportunity to produce garments upon which a good reputation can be based.

PROTECTION KEEPS OUT THE BETTER-MADE FOREIGN GOODS

All this "is good for business," but is it good for the poor consumer, who sighs for the old times under free trade (if he is old enough to remember them), when, under a tariff for revenue only, he got money's worth for his money? It is useless for him to complain, for why should the manufacturer make better goods or wares? He knows that the protective tariff keeps out the better-made foreign article. If, perchance, it does not, he goes to Washington and gets the tariff raised, if not honestly and directly,

then dishonestly and indirectly through some deadly "joker," slipped through in return for a handsome campaign contribution or other equivalent. For, who cares for the consumers? Were they not made to be exploited in the holy cause of "business?"

PROTECTION DIMINISHES COMMERCE

Why do foreign products cross the ocean and enter our ports, and why do our products cross the ocean and enter foreign ports, in spite of the strenuous efforts of protectionists on both sides of the ocean to keep them out? It is because of our mutual wants. Europeans have something Americans want, and Americans have something Europeans want. Both profit by making the exchange and both have more profit left as addition to capital or for use for other purposes. The freer the exchange of their products, the greater the benefit to both the Americans and the Europeans concerned. The only limitation upon absolute freedom of exchange is the admitted necessity of raising a revenue to meet the expenses of government through the imposition of custom-house duties. The more stringent the protective tariffs of the governments of these different countries become, the greater is the injury done to the inhabitants thereof, and the smaller is the revenue derived therefrom.

PROTECTION HAS FOSTERED UNEQUAL DISTRIBUTION
OF WEALTH

Protection has brought about, on one hand, the bloated Pittsburgh millionaires, and, on the other hand, the twelve-hour day, two shifts of twelve hours each, Sunday work, increased child labor, cruel speeding, and cheerless, insanitary homes and surroundings. Such is the work of "protection," secured by manufacturers through political alliances and United States Congresses steeped in the fallacies of protection, while cunningly claiming they are working for the benefit of American laborers. They use them as the cat's paw to draw chestnuts out of the fire for themselves. But the Lawrence strike and the train of subsequent events connected with it, even yet not ended, are opening everyone's eyes. We see the most highly protected industries employing their help at rates fixed by the competition of the world, while selling their goods at such prices as the tariff enables them to charge and yet just keeping out imported goods or restricting almost entirely their importation. The whole country is awakening to realization of the fact that a gradual reduction of the tariff to a revenue basis (which is free trade) will benefit everyone.

PROTECTION DOES NOT RESULT IN CHEAPNESS

In the celebrated *Report on Manufactures* to Congress by Hamilton as Secretary of the Treasury in

1791 he admitted that "as often as a duty upon a foreign article makes an addition to its price it causes an extra expense to the community for the benefit of the domestic manufacturer." He argued that it is for the interest of society to submit to this temporary expense on account of the eventual cheapness that would ultimately result. The trouble is that "the eventual cheapness" that is to result from protection never comes. The same argument was used in or about 1864, when protection began to be talked about again. We were told that it was to be temporary and moderate. After half a century no one hears anything more about the temporary character of protection. Instead of being moderate, protection has become immoderate, ever asking for more and more. As to the cheapness to be brought about by protection, where is it? The United States has become the dearest country in the world to live in.

PROTECTION DOES NOT CAUSE PROSPERITY

It is a common thing for protectionists to cite census figures showing the increase in wealth of our country and then to say that it is due to protection. But this is what they are to prove, and they forget that in order to prove it they must prove how much the country would have increased in wealth under free trade (meaning a tariff for revenue only). There is one important fact bearing on this subject,

the fact that in no period under protection has this country prospered so greatly as it did during the period from about 1840 to 1860, in which the country was the nearest to being under free trade. Of course, I do not mean that during that period we increased more in wealth than during any later period, for the population was much less and we had not yet accumulated great surplus wealth; but, proportionately, that was the period of the greatest prosperity the country ever saw. I will not repeat the bad mistake in logic made by protectionists, and claim that it was all due to free trade, but doubtless the lower duties then prevailing were one of the many causes that will account for the unexampled prosperity of that period.

PROTECTIONISTS CLAIM THAT A PROTECTIVE TARIFF INCREASES WEALTH

I quote from that protectionist authority, Stanwood:

It is not suggested that the object of a protective tariff is to encourage importations — rather, the contrary is true; but that the general effect is to increase and to diffuse wealth, and thus to create conditions that lead to larger importations.

If protection increases wealth, it is magic! All we

have to do is to tax ourselves out of all we have by heavier duties on everything—and we shall all become immensely rich!

PROTECTION IS AN APPEAL TO SELFISHNESS

It rests on false reasoning, misapplication of facts, and claims based on bad reasoning. It is arrogant, full of pretence, ever taking refuge in some new sophism as it is obliged to abandon each old one as men become convinced of its nature. It is a snare and a delusion; a fraud, because it is a system of legalized, organized robbery of the many for the benefit of the few. If any think this language is too strong, let them study the history of tariff legislation in Washington during the last thirty to forty years and let them find out for themselves how the will of the people to obtain tariff reform (meaning thereby tariff reduction) has been frustrated by chicanery and deceit, disregard of the welfare of the great body of the consumers by incompetent, unreliable Congressmen who have carried their readiness to serve the great business interests so far that when Lewis D. Brandeis was asked whom he represented, at a public hearing on the tariff, and he replied that he appeared for the consumers, the members of the committee laughed, the idea seemed so preposterous to them that anyone should represent the *consumers*.

PROTECTION IS ALWAYS CLAMORING FOR MORE
PROTECTION

Despite the modest claims of protectionists after the Civil War that protection was to be temporary and moderate and would soon bring lower prices, as fast as new industries should become well established, ever since then they have been ever clamoring for more and more protection. There has always been some excellent reason why protection should be continued and should also be increased, through some skillful change in the tariff or the quiet introduction of a "joker." There has always been some reason advanced to extend the sphere of protection so as to include something that before then no one ever claimed needed protection, even upon any principle of the protectionists. And, instead of taking steps to improve their processes and to increase the efficiency of their plants, the protected industries rely upon still more protection and make their inefficiency the excuse for more protection. Protectionists of the present period forget that protectionists from 1860 to 1870, and later, asked only for temporary and moderate protection. Where is the protectionist to be found now who would subscribe to such a theory of protection? Grown into giants by what they have been fed on, many protectionists now call for "protection for protection's sake," irrespective of any question of revenue.

PROTECTION DOES NOT COVER ALL INDUSTRIES

In many industries, from the very nature of the case, protection cannot be applied. This is true where the product is bulky, making the freight across the ocean an important element in the cost, and this applies particularly to those cases where the value of the article is low when compared with its bulk. In other cases the monopoly for a limited time resulting from the grant of a patent or the superior ingenuity of the American inventor and mechanic tends to protection against importation. Thus, in making boots and shoes, woodenwares, wagons, carts, agricultural tools and machines, railroad and street railroad cars, the cheaper wallpapers, pianos, telephones, etc., we succeed without protection. Protection cannot be applied to the professional classes, including not only lawyers, judges, doctors, and ministers, but also teachers, architects, and engineers—in fact, nearly all persons living on salaries or wages. There are also many mechanical pursuits outside the range of protection, such as carpenters, masons, blacksmiths, plumbers, house painters, porters, drivers, railroad employes, workmen, servants, etc., etc., who are not protected, yet manage to get along without it. Without protection most all of them get more pay than is paid anywhere in Europe, because the demand is greater.

OUR SUPERIORITY CALLS FOR PROTECTION AGAINST
THE INFERIORITY OF FOREIGNERS

During the course of a public debate on the tariff a protectionist asked whether the great automobile business of this country could have been started or could now be maintained without protection. The question shows how pervasive and perverse the infection of protection has become. Here was a new business that suddenly came into existence in all civilized countries at the same time. Then it was not the usual case of some one in this country trying to start a business, new here, but well established abroad. It was a brand new business everywhere. Yet with all our boasted superiority as to our superior inventive ability, our better fed, more highly educated, abler engineers and more intelligent mechanics—in spite of these and all the other of our advantages fondly claimed by us to give us superiority over the rest of mankind—we are so weak, miserable, and deficient that we must be protected against the inferiorities of the inhabitants of other lands in undertaking a business that is as new to them as it is to us.

In spite of our superiority we must be protected against the inferiorities of the rest of mankind. This is the protectionist doctrine *in reductio ad absurdum*. There is more logic in the claim made in Europe that their inferiority (*i. e.*, lower wages) calls for protection against our superiority.

THE PULING CRY OF PROTECTION

We boast we are the most favored country on this planet; that our institutions are the best and we are the smartest people on earth. Inconsistently with these magnificent claims of superiority, protectionists keep up unceasingly their pitiful cry about our infant industries, and that we must have protection against the poor, miserable, half-fed workmen of Europe, the inefficient pauper laborers who are yet our inferiors. Protectionists pose as perpetual supplicants for charity, with no regard for the manly independence we associate with American character. The great overgrown industries, organized mostly as trusts, the richest business organizations of the world, beg, whine, and cry before Congress and the country with false pretences and sophisms and are perpetual mendicants for more and ever more "protection." Lawyers, doctors, ministers, farmers, laborers, even street sweepers, support themselves and their families and pay their taxes, while these giants of the earth, in their insatiate greed, beg for and accept charity from their countrymen and live as parasites upon them. They claim even yet to be infant industries still needing pap from the public in the form of protection, but they can only be so regarded now upon the supposition that they are in their second childhood. Where is the American sense of humor we are so proud of? We pride

ourselves on being such a capable, able nation. We go about with a chip on our shoulder claiming to be the biggest, the brightest nation on earth, able to do anything we undertake and to beat all Europe in business enterprise. Then, forgetting all our boasting, we turn right round and whine that we are so weak and inefficient that we cannot compete against "the pauper labor of Europe;" that our industries will perish without protection; that our stalwart, well-fed, well-educated, well-clothed, well-housed Americans, surpassing in these respects the citizens of all other nations, cannot compete with these inferiors unless protected from them by the exclusion of their products! I repeat, where is the American sense of humor in protectionists, those advocates of special privilege to the stronger?

PROTECTION CLAIMS IT BENEFITS US TO EXCLUDE
GOODS MANUFACTURED AT LESS COST
ABROAD THAN HERE

But suppose they could be obtained for nothing, would it benefit us to exclude them? Is it not evident that the nearer we can get to obtaining them for nothing, *i. e.*, the lower the cost, the greater the benefit to ourselves? To hold otherwise would be to maintain that it is not *the goods* that we want, but *the making them*. Is it the goods or the manufacturing that the consumers — that is, the whole Amer-

ican people—want? Protectionism says that without protective duties foreign goods would come into this country and be sold so cheap that similar goods could not be made here at a profit. But, I repeat, is it *the goods* themselves or the *process of making* them that we all want?

PROTECTIONISTS ALARMED AT PROPOSAL TO REMIT
DUTIES ON BUILDING MATERIALS, TO AID
FIRE-STRICKEN CITIES

After the great fire in Chicago it was deemed desirable to lighten the burden of the great expense of rebuilding by an act of Congress rebating the duties on materials used for that purpose. The next year came the great fire in Boston, and, naturally, the rebuilders of Boston wanted the same rebates. But meanwhile protectionists had taken alarm at this rift in the lute. The question arose again when San Francisco was in the same sad plight. If it had helped these people to take off the duties on imported building materials, why would it not benefit other people, who wanted to build, to take off the duties? And if this would help other people intending to build, why would it not help all the people to reduce the duties on all the other imports they use? For it certainly is an obstacle to the success of every American (except those who receive this prize money, paid by all consumers—that is, everybody) that in

every new undertaking and in every person's daily life the cost of building, food, clothing, etc., etc., is increased unnecessarily in price through this "protective" tariff.

SUMNER ON THE SOPHISMS OF PROTECTION

What neater way can there be to show the sophisms of the doctrines of protection than that presented by Professor Sumner on page 47 of his spicy little book called *Protectionism*?

If a protectionist shows me a woolen mill and challenges me to deny that it is a great and valuable industry, I ask him whether it is due to the tariff. If he says no, then I will assume that it is an independent and profitable establishment; but then it is out of this discussion, as much as a farm or a doctor's practice. If he says yes, then I answer that the mill is not an industry at all. We pay sixty per cent tax on cloth *simply in order that that mill may be*. It is not an institution for getting us cloth, for if we went into the market with the same products which we take there now, and if there were no woolen mill, we should get all the cloth we want; but the mill is simply *an institution for making cloth cost per yard sixty per cent more of our products than it otherwise would*. That is the one and only function which the mill has added, by its existence, to the situation. I have called such a factory "a nuisance." The word has been objected to. The word is of no consequence. He who, when he gets into a debate, begins to whine and cry as soon as the blows get sharp should learn to keep out. What I meant was this: A nuisance is something which, by its existence and

presence in society, works loss and damage to the society — works against the general interest, not for it. A factory which gets in the way and hinders us from obtaining the comforts which we are all trying to get, which makes harder the terms of acquisition when we are all the time struggling by our arts and sciences to make those terms easier, is a harmful thing, and noxious to the common interest. Hence, once more, starting from the protectionists' hypothesis and assuming his own doctrine, we find that he cannot create an industry. He only fixes one industry, as a parasite, upon another, and just as certainly as he has intervened in the matter at all, just so certainly has he forced labor and capital into less favorable employment than they would have sought if he had let them alone.

CHAPTER XI

PROTECTION (CONTINUED)

PROFESSOR SUMNER'S ILLUSTRATION OF "PROTECTION"

IN his *Protectionism* Sumner gives an excellent illustration of the fallacy of what is miscalled "protection."

A farmer goes to Washington to tell a statesman he has found iron ore on his farm. The statesman replies: "That's good news. Our country is richer by another new and natural resource." The farmer agrees with him and tells him he wants to begin getting out his ore and making iron. The statesman tells him to go ahead and he hopes he will prosper. But the farmer doubts if it will pay, and thinks he can make more money if he keeps on farming. He still wants to mine his ore, however. It doesn't seem right to leave it in the ground and to keep on importing iron. So he suggests to the statesman that a duty be placed on imported iron, to enable him to get more for his American iron. Then he could see his way clear to give up farming and go to mining his ore and making iron. The statesman does not see it yet. He suggests that this would

be authorizing the iron-maker to tax his neighbors and to throw on them the risk he is afraid to take himself. The farmer sees he has not talked the right dialect, so he begins all over again, and says: "Mr. Statesman, the natural resources of this country must be developed. American industry must be protected. The American laborer must not be forced to compete with the pauper labor of Europe." The statesman answers: "Now I understand you. Now you talk business. Why did you not say so before? How much tax do you want?" Of course he gets the duty he modestly (?) asks for, and the price of iron goes up, although the supply has increased, and the protected iron-maker does not raise the wages he pays. Just as he did before he secured protection, he acts as any prudent man entering into business would act, and he pays as little as he can for wages; *i. e.*, he pays the market rate as determined by the demand and the supply, and this is not determined by protection. The next time another farmer wants to buy any iron he finds that it takes thirty bushels of his wheat, instead of twenty, to buy a ton of iron. So he asks what has happened to make iron so dear. "O, have n't you heard? A new mine has been found in Pennsylvania. We have got 'a new natural resource,'" is the reply. "I have n't got a new natural resource," he replies. "It's as bad for me as if the grasshoppers had eaten up one-third of my crop."

And Sumner concludes:

The mine owners say they want to exploit their

mines. They do not. They want to make their mines an excuse to exploit the taxpayers.

This is "protection!" The extra wheat, or its value in money, is forced, by law, out of the possession of the farmer into the possession of the artificially created iron miner, who wants to make more than he can at farming. The government gets little or nothing, for the protective import tax is placed so high that the home ironmaker can supply the market at a little lower price than the price of the imported article with the duty added, which stops or nearly stops the importation. Yet every user of the article, iron or whatever it may be, that is "protected" pays nearly as much as if he used the foreign article and helped the United States revenue by paying the import duty. This sum, many times as much as the duty actually paid, perhaps twenty times as much, goes into the pockets of the protected manufacturers of the country. The new natural resource is not protected—that is, conserved; on the contrary, its exhaustion is stimulated (in the case of nickel it is said to be already about exhausted). The laborer is not protected, for he gets no higher wages than he did before the duty was imposed or was increased, the manufacturers naturally obtaining labor wherever they can find it at the lowest rates, as was shown by the facts brought out after the Lawrence strike of 1912. The only parties left to be protected are the

manufacturers, and they are the ones who receive the "prize money," as Mr. Roosevelt very properly calls it.

AMERICAN PRODUCTS AND MANUFACTURES SOLD
CHEAPER ABROAD THAN AT HOME

Then the American producers of iron, copper, and their products, meats, shoes, etc., etc., thus artificially stimulated to excessive production, finding they are producing more than the American market can take at *their* prices, which are not prices determined by the law of supply and demand, but prices made artificially high through special favor (protection), send their surplus abroad, and, selling it there in competition with the markets of the world, they sell their products cheaper than they sell the same products at home. American consumers are thus made to help support foreign consumers, through American so-called "protective" legislation!

Sumner's opinion was that the tariff raised prices thirty to forty per cent. On the total annual consumption of goods in the United States this annual burden would now be nearly two billion dollars. Substantially the same results have been reached by Hobson, in *The Fruits of American Protection*, and by the New York Reform Club. This means that the consumers of this country pay to the producers nearly two billion dollars over and above the regular

and proper profits of these producers, not one cent of which goes into the treasury of the United States, being nearly two billion dollars more than these same producers would get for the same products if they sold them in Europe—and this is done to afford protection where none is needed.

ALLIANCE OF BUSINESS AND BOSSES AT THE EXPENSE OF THE CONSUMERS

The “big business” leaders of this country, most of them now trust magnates, joined forces years ago, with the result that political leaders lost sight of the welfare of the great body of consumers of this country, the whole American people, in their greed for greater profits to business. Daniel Webster once said, “The deadliest canker that can attack the heart of a nation is the corroding disease of commercial avarice.” This is the canker that has led protectionists to join the trusts and the politicians in the unexpressed but implied assumption that consumers exist for the benefit of producers. According to this view, the producers of the country are “it.” Business is the great god and everything must give way to it. Business is good when prices go up, when the supply is unequal to the demand, when goods of sterling quality made elsewhere can be kept out of the United States by protection, and goods of poor and ever poorer quality, so as to wear out more and more

quickly, can be made in the United States, and thus the consumer can be compelled to buy oftener. An abundance of all products, of better and better quality, so as to last longer, reasonable prices, so that the consumers of the country may raise their style of living, are to be deprecated because bad for "business"—that is, the producers. The cities of Japan are built of very light, combustible material, and when they have a fire it is so hard to check it that a great part of the city is destroyed. In the march of improvement they bought one of our steam fire engines and found it most efficacious, but the carpenters sent a petition to the government to discontinue its use because it interfered with their business. So it was thought in England, a century ago, that the destruction of machinery would help labor, for then all labor would be by hand. So, even now, many people think there must be some restriction on the supply of cotton, tobacco, and other articles, and that any surplus must be burnt, so as to keep up prices. According to this view, if all our food and clothing were to drop down from the sky, without cost or price, it would be bad for "business." Instead of its being a source of satisfaction to Americans to learn that a bountiful Providence has given us greater resources than we supposed we had, whenever a new natural resource is unearthed, it is a source of still further worry to consumers trying to live within their income, for they know they will

have to pay a higher price than before, although the supply has increased. As soon as emery was found in the United States a tax was put on imported emery, and, of course, the price of emery went up. When the richest copper mines in the world were found here the same thing happened. "By another catastrophe," as Professor Sumner called it, nickel was found here, and again, through protection by favor of Congress, a duty put the price up. When Sumner wrote it was said that tin had been discovered in West Virginia and Dakota. Sumner said it was devoutly to be hoped this might prove to be false; for, if true, up would go the price of tin through a new duty. "The mine owners say they want to exploit the mine. They do not. They want to use the mine as an excuse to exploit the taxpayers."

HOW LONG IS PROTECTION TO CONTINUE?

Stanwood says:*

The benefit of the tariff, then, consists in its maintenance of the *status quo* during the period of transition. It cuts off the privilege of the foreigner to come in with cheaper wares and to gain a foothold in the market, if perchance he had gone forward at a little more rapid pace than the American in adapting his manufacture to new conditions.

* *American Tariff Controversies in the Nineteenth Century*, vol. 2, p. 256.

This is a plea for the protection of inefficiency. The American manufacturer is to be protected because his foreign rival can make a better article!

And as to this period of transition, how long is it to last? It has had a duration of a century and a quarter already. Does it want a millenium?

THE UNIVERSAL BUSINESS IS BUYING AND SELLING MONEY

It is not generally recognized that there is one kind of business we are all engaged in—buying and selling money. Every purchase made is a sale of money in return for something the seller wants more than he wants the money he parts with. Every sale made is a purchase of money in return for something the seller parts with that he wants less than he wants the money he receives in exchange for what he parts with. Every purchase made is a purchase of something the seller wants less, in exchange for what he wants more, *i. e.*, the purchaser's money. Every sale made is a purchase of money by the seller, who wants it more than he does what he sells. The terms "buyer" and "seller" are but relative. Each party to a sale is, therefore, both seller and buyer. Each sells what he has and wants to dispose of (money, land, goods, etc.) and each buys what the other party has and wants to dispose of (goods, land, money, etc.). As sellers we want high prices

and they are promoted by scarcity. As buyers we want low prices and they are promoted by abundance. The "higgling of the market" has proved to be the best way for these conflicting interests to come to terms. When protection comes in it gives an unfair advantage to one side, the side that a few only, relatively, belong to—the producers—as against the side that all belong to—the consumers of the whole country.

BUSINESS IS THE ORGANIZATION OF LABOR AND
CAPITAL TO SUPPLY THE WANTS OF
THE COMMUNITY

Business is not the mere accumulation of money in the control of capitalists who monopolize our natural resources and their use through special legislation. Legitimate business is the organization of labor and capital to satisfy the needs of the community. A new way to supply a human need creates a new industry, but no system of taxation can do it. People long wanted some easy way to talk to each other when beyond the reach of their voices. The telephone was invented and became a success because it supplied the want. A new business came into existence. The measure of its gain is not to be found in the number of persons engaged in putting up and keeping in order its wires, batteries, and machines, in receiving calls and connecting the wires of persons wanting to

talk to each other. The gain is to be measured by the satisfaction of the needs of those who, being far apart and wanting to communicate with each other, find it an economy to use the telephone instead of using the telegraph, the mail, or a messenger, or going to see each other. This is an apt illustration of the creation of a new industry and the legitimate carrying on of a new business with resulting benefits to all. No system of protection through taxation could ever accomplish such results.

PROTECTIONISM TOO COMPLETELY IN CONTROL IN WASHINGTON

The tariff has been made more offensive from time to time by administrative action. Forced construction of the language of the law has repeatedly made duties as onerous as possible, in violation of the spirit of the law. Information by the departments is freely produced tending to help the cause of protection, to show its advantages, and to bolster up excuses for construing strictly every item in the schedules of the tariff. Information tending to help the cause of free trade, to get at the facts as to the cost of wages and of materials abroad that tend to show the incorrectness, to use mild language, of many protectionist assertions, is delayed, withheld, and its publication prevented upon frivolous pretexts. Official reports of United States officials at home and abroad are

prepared from the protectionist point of view rather than from that of impartial investigation to get at the facts. It will take time to change the attitude of Washington officialdom in the search for the truth as to the effect of nearly fifty years of protection upon the development of American commerce.

CLAIMS MADE BY PROTECTIONISTS ONLY TO BE SUBSEQUENTLY ABANDONED SOONER OR LATER

Was it Josh Billings or Artemus Ward who was acquainted with a man who knew more things that were not so than any other person he ever met? Here are some of the things that "are not so" that protectionists have claimed, most of which they have already abandoned. They will abandon the rest of them in course of time:

1. Protection is to be moderate in amount.
2. Protection is to be only temporary.
3. The ultimate effect of protection will be to reduce the price of the domestic article.
4. The foreigner pays the tax.
5. The Cobden Club, that horrible English free trade club, is sending over "British Gold" to bribe us into accepting free trade.
6. The tariff raises wages.
7. The tariff is necessary to insure a reasonable profit to the American manufacturer.

8. The tariff protects the American laborer against the cheap pauper labor of Europe.

9. There must be that measure of protection necessary to equalize the difference in cost between here and abroad.

UNFULFILLED PROMISE OF PROTECTIONISTS TO KEEP
THE WAR TIME PROMISES TO REDUCE HIGH DUTIES
AS THE INTERNAL REVENUES CAME OFF

It is easy to see there must be a proper relation between custom-house duties and excise duties. If the excise duties are so high that imported articles can be sold cheaper than the same home-made articles, the tariff works against the home producer. If excise duties are low or are removed entirely, a lower custom-house duty will check or prevent importations of similar foreign articles. It requires expert knowledge to adjust the two so as to favor neither. At the end of the war and for years afterwards this was not generally understood by our people. But protectionist manufacturers knew it, and, taking advantage of the popular desire to reduce and end internal revenue duties, they carried such legislation through Congress without equivalent reduction of high protective duties. The result was as if the internal revenue duties had been let alone and the custom-house duties had been raised, and the people were misled.

The Republican Party finally, in defiance of these principles, declared, "If there still remains a larger revenue than is required for the wants of the government, we favor the entire repeal of internal revenue taxes rather than the surrender of any part of our protective system at the joint behest of the whiskey trust and the agents of foreign manufacturers."

The last part of this is pure buncombe.

FINAL BREACH OF REPUBLICAN PLEDGES TO LOWER CUSTOMS

The McKinley bill of 1890 was a repudiation of long-accepted, moderate interpretation of the pledges given during and after the war to lower customs duties when the financial condition would allow. In its place there became established the doctrine that protection was the cause of our prosperity and that our future depended upon the acceptance of protection as a permanent national policy. Everyone rejoiced who had anything to sell, the price of which would be increased at each tariff raise. The old Republican leaders, like Morrill, Allison, and Sherman, who believed in moderate protection, were now overruled and Aldrich stood at the front looking out for the interests of the Industrial League, the Iron and Steel Association, the National Association of Wool Manufacturers, and others.

PROTECTIONIST PRETENCES: THE DUTY IS PAID BY
THE FOREIGNER

As the theory that prosperity is caused by the tariff did not work, it was claimed that the foreigner sending his goods to this country reduced his price by the amount of the tariff in order to secure sales here. This did not work any better, for it was pointed out that the importer, whether American or European, and whether living in this country or in Europe, did not buy what he imported with the amount of the American tariff duties taken off. So this had to be given up. Protectionism is full of these false pretences, sophistical reasonings, and patent absurdities, and as fast as the old ones are overthrown others equally false are put forward, only to be in turn demolished.

PROTECTIONIST PRETENCES: THE TARIFF IS THE
CAUSE OF PROSPERITY

We have seen the excuses made for increased duties in 1861 and later—that is, they were necessary to pay the expenses of the war; they were to be moderate and temporary, and were to be reduced after the war. Alarmed by the “Great Debate” of 1886, the protectionists tried to throw dust in the eyes of free traders (meaning tariff for revenue only

men) by claiming that the tariff was the cause of prosperity. No, they said, the tariff is not a tax; it is the cause of our prosperity.

FALSE CLAIMS OF PROTECTIONISTS THAT THERE CAN
BE NO MONOPOLY IN A PROTECTED ARTICLE

Kelly, Aldrich, and others claimed that domestic competition would prevent it. But the trusts multiplied and most of them were in the highly protected industries. President Cleveland had said, in his message on the tariff:

It is notorious that competition is too often strangled by combinations quite prevalent at this time, and frequently called trusts, which have for their object the regulation of the supply and price of commodities made and sold by members of the combination. The people can hardly hope for any consideration in the operation of these selfish schemes. . . . The necessity of combination to maintain the price of any commodity to the tariff point furnishes proof that someone is willing to accept lower prices for such commodity, and that such prices are remunerative.

Thus, by combining and forming trusts competition is eliminated, only enough is supplied to Americans to meet the demand at the trusts' prices, and the excess is sold abroad cheaper than at home.

A PAEAN FOR PROTECTION

In concluding his painstaking but not always impartial work, *American Tariff Controversies*, Stanwood indulges in a triumphal song of victory for protection, rather bacchantic in tone, to the effect that the American people are fully convinced that the protective system has added immensely to their wealth, their prosperity, and their industrial independence, that it has been and is good for them and they propose to continue it.

This is like the attitude of the man who, having drunk to excess all his lifetime and is still hale and hearty, attributes all his success to drink, glories in his habit, and therefore proposes to continue it.

CHAPTER XII

WAGES

MEANING OF "HIGH WAGES"

WHEN it is said that wages are high, either one of two very different things may be meant. One is that a day's labor brings a large sum of money, without reference to the purchasing power of that money; the other is that the money paid for a day's labor will go far in supplying the laborer's wants. In this, the true sense, wages are high in this country, not only now, but ever since the settlement of the country, and of course long before such a thing as a tariff was ever thought of. Therefore, no tariff created our high wages. One reason is that the demand has exceeded the supply. This has remained so because, with plenty of land awaiting occupation, if wages fell below a certain rate, higher than the European rate, the laborer could take to the land with profit and still keep the style of living he had kept. Another reason is the superior efficiency and greater productive power of the American laborer, due to a variety of causes, such as our bracing climate, better education, better

food, a higher standard of home comforts and manner of living. It is evident that no tariff law has had anything to do with these matters, for they existed before there was any tariff and will continue to exist whatever the tariff may be. And if high wages are due to tariffs, why have not wages risen at every rise in tariff rates? As to the assertion of protectionists that free trade will lower wages, it is enough to cite the well known fact that wages have steadily risen and pauperism has steadily decreased in England since the adoption of free trade. Whenever labor is efficient and productive, high wages are paid. The employer can afford to pay high wages because he gets much in return, with the result that the cost of production by the piece or unit of production is low. This must be so, for otherwise the employer could not afford to continue to pay high wages. Certainly our smart business men would not carry on business year after year and decade after decade at a loss.

It is "pauper labor" that is dear, because it is unproductive. European protectionists have, therefore, a strong argument when they claim they must have protection against the efficient, productive labor of this country, which is not in reality dear, and our protectionists are in error when they claim we must have protection against the inefficient "pauper labor" of Europe, which is really dear labor.

HIGH-PRICED LABOR MEANS EFFICIENCY OR GREATER
PRODUCTIVITY, WITH CONSEQUENT LESSENERD
COST PER UNIT

Andrew Carnegie said: "It is not the lowest but the highest paid labor, with scientific management and machinery, which gives cheapest products. Some of the important staple articles in Britain, Germany, and America are produced cheapest with labor paid double."

Mr. Hill, statistician in the State Department, Washington, said in 1882, that 5,250,000 workmen in the United States produced double what Great Britain did, with 5,140,000 workmen.

The secretary of the British Trade Association, J. S. Jeans, said that the average annual output of the British makers of pig iron is about 25,000 tons per furnace, while the American average is 61,000 tons per furnace.

Mr. Evarts, while Secretary of State, said in 1878, summarizing the facts obtained through American consuls: "The average American workman performs from one and a half to twice as much work in a given time as the average European workman."

SUPERIOR PRODUCTIVE CAPACITY OF AMERICAN
FACTORY OPERATIVES

The following instructive and reliable figures are

from that eminent authority, Mulhall's *Progress of the World*. They illustrate the truth of the above statements:

The productive capacity, each year, of a factory operative is as follows:

In the United States	\$1,560.00
In the United Kingdom	1,120.00
In France	1,100.00
In Germany	515.00
In Russia	530.00
In Austria	600.00
In the Low Countries	500.00
In Spain and Portugal	595.00
In Italy	540.00
In Scandinavia	400.00
Average for all Europe	780.00
Average for the United States	1,560.00

In other words, the labor of one man in this country produces more than enough to supply his wants by a greater surplus than in any other country, and this surplus increases every year. Or, as differently put by Cairnes in his *Political Economy*, the product of a day's labor in the United States enables a workman to command the product, in round numbers, of the product of a day and a third's labor in Great Britain, of the product of a day and a half's labor in Belgium, of the product of from one and three-quarters to nearly two days' labor in France

and Germany, while it would probably command the product of four or five days' labor in China and India. This explains the argument used on the Continent that they must have protection against American high-priced labor. It shows further that we need no protection against European inefficient labor.

In an unguarded moment Senator Gallinger from New Hampshire made the following statement in the United States Senate:

Mulhall has shown that a farm hand in the United States does as much as two in the United Kingdom, three in Germany, five in Austria, and seven in Russia. The farm laborers of Europe do nine times the work to get double the result of the farm laborers in the United States. That is, it takes four and a half Europeans to equal an American.

Senator Gallinger is a strong protectionist, it must be remembered, and yet, with this marvelous showing, he contends, with his party, that the poor, puny, weak American who is so strong and efficient, must have protection against the pauper labor of Europe that is so much weaker than ours!

So good a Republican and protectionist as Blaine said that the actual labor cost of the American product is less, because the effectiveness of American labor is superior to that of the workingman of any other nation on earth. And yet protectionists

whine and cry that without protection they must shut up their factories! "We are so strong that we can beat the world." Yet, "We are so weak that we cannot compete unless we are protected." Is not this an absurd position for Americans to put themselves in before the world?

PROTECTION DOES NOT CAUSE HIGH WAGES

When manufacturers go to Washington and tell the Committees of Congress that they must have protection because they have to pay high wages, what they mean is, they have to pay such high wages that without protection they cannot carry on certain manufacturing with profit, and they must have the right to exact a subsidy from the consumers of their products by means of a duty on the same foreign goods that will keep most of them out of the country and at the same time will enable these protected manufacturers to raise their prices almost to the level of the duty-paid imported article. They do not mean that if Congress will grant their prayer they will go home and raise the wages of their workmen. They get the protection they want and they pay the market price for wages, and in many cases these wages are lower in protected than in unprotected industries. Then protection does not raise wages nor cause high wages. It only enables the protected manufacturer to put money into his own

pocket while carrying on a business that would be unprofitable were it not for protection. By means of protection he is enabled to carry on his pauper industry at the expense of the American public.

WAGES IN THE UNITED STATES

According to the United States Census of 1900, in the four great industries (textile, iron, boots and shoes, and men's clothing) wages averaged as follows per week: Men, \$9.77; women, \$5.39; children, \$2.61. Yet we are told that protection brings high wages! By way of contrast, note that the unprotected hod carrier receives sometimes as much as five dollars a day, while no one knows what the unprotected plumber may not charge for his services.

It is clear that there is no connection or relation between protection and wages. Wages are high in some unprotected industries, they are low in some unprotected industries. Wages are high in some protected industries, they are low in some protected industries. The price of wages is regulated by the demand and the supply, not by the tariff. It was high in the United States before there was any tariff. High wages came first, tariffs came later. Therefore, no tariff created high wages. Protectionist manufacturers do not get the tariff raised and then raise wages, they continue to pay the same wages as before they secured more protection, and they

lower them, as all do, whenever the supply exceeds the demand.

In 1907 the average weekly wages in Rhode Island for fifty-eight hours' work was: Carding room, \$7.80; mule spinners, \$12.92; speeders, \$10.62; weavers, \$10.38. In the woolen industry, for pickers, \$8.00; women spinners, \$7.25; men spinners, \$12.91; weavers, \$15.34. Children who should be in schools were in the mills.

WOODROW WILSON ON PROTECTION OF AMERICAN LABOR

In an address by now President Wilson before the real estate men of Boston, January 27, 1912, he said:

American labor gets higher wages because it is more valuable. Now, any intelligent labor can compete with any pauper labor, and the intellectual absurdity of "protecting" intelligent men from unintelligent is too patent to need explanation. When I hear the reports that tell of protecting the American laborers that I know of against the pauper labor of Europe, I can only smile that my fellow voters are so gullible. . . . When you want to cut down your working force, which of your workmen do you dismiss first? Those that get the smallest wages. You don't dismiss the high-priced men first. If you did, you would dismiss the president and secretaries

and superintendents, and you cannot get on without those who earn larger salaries. You don't dismiss from the top, but from the bottom, which is your admission that the most economical labor you have is your highest priced labor. That is what you cannot dispense with. It is high-priced not because of the tariff. O, I wish I had time to explode that ancient myth. No thoughtful economist in the world knows so little as not to be able to explode it. Only business men who will not take the pains to become economists believe it, and some of them do not believe it.

LOWER DUTIES WILL NOT CAUSE LOWER WAGES

High protection did not cause high wages, nor will low protection cause low wages; and it is through gradual, small reductions, passing through lower protection, that we must at last reach free trade—that is, a tariff for revenue only. It is a mistake to suppose that a lowering of duties will bring about lower wages. Lower duties mean an increase of imports, and an increase of imports means an increase of exports, which means more demand for labor to make the articles exported. There would be no lowering of wages, but labor would be set to work where it would accomplish better results. Of course good judgment must be exercised in bringing about the change. No free trader (meaning always a tariff for revenue re-

former) advocates any sudden abandonment of protection. But it is essential that duties be lowered eventually to a point that will not keep out any foreign article, for otherwise the American manufacturer would still have a monopoly and any monopoly is odious at common law. The American manufacturer is competing with his foreign rival and underselling him now in the foreigner's home market. Why can he not do the same thing here at home without protection and without paying the freight to Europe on his goods?

THE GREATER EFFICIENCY OF AMERICAN HIGH-PRICED LABOR

An American manufacturer secured a contract in Japan for several million dollars' worth of American locomotives, in competition with bids from England and Germany. A master mechanic of the shops of the Imperial Railways maintained that locomotives could be made cheaper in Japan than in the United States because the wages they paid were only one-fifth the wages paid here. A comparison of actual cost showed that the labor cost on a Japanese locomotive was three and a half times what it is in the United States. Seven hundred and twenty American locomotives are running on the railroads of Japan. What need has any American locomotive works for protection, with such a showing?

THE SO-CALLED HIGH WAGES UNDER PROTECTION

Bulletin 57 of the Census Bureau shows that 44,452 men and boys, 24,552 women and girls, and 3,743 children under sixteen years of age, employed in the manufacture of woolen goods, received a weekly average of \$7.61. Employees of the steel mills of Pittsburg, Chicago, and Milwaukee, all strong, healthy men, receive \$1.75 for twelve hours a day, seven days in the week, \$12.25. In these averages are included the wages of skilled mechanics and head men.

The average weekly wages paid in cotton mills in England is \$6.37. The average in New England is about \$7.00 and in the southern mills \$4.10. These are the vaunted high wages of protection. Compare them with the average wages of house servants, carpenters, stenographers, typewriters, etc., of from ten to twenty-five dollars a week (including the value of the board of house servants), yet all unprotected employments.

CHANGE OF GROUND OF PROTECTIONISTS AND FREE
TRADERS AS TO HIGH-PRICED WAGES

Until about 1840 protectionists argued in favor of protection that it was needed for the protection of young industries as they were then called, meaning pauper industries, because the public must be

taxed to keep them going. But after 1840 their argument changed to the necessity of protection to American labor. Until this time the difference in wages here and abroad had been an argument of the free traders against protection. The use of this argument implies the existence of industries dependent on high wages. Taussig says:*

Obviously this change in the line of argument indicates a change in the industrial situation. Such an argument in favor of protection could not have arisen at a time when protective duties existed but in small degree and when wages nevertheless were high. Its use implies the existence of industries which are supposed to be dependent on high duties. When the protective system had been in force for some time and a body of industries had sprung up which were thought to be able to pay current wages only if aided by high duties, the wages argument naturally suggested itself.

But wages always have been high in the United States, tariff or no tariff. There never has been any relation between wages and the tariff. We have had our ups and downs in our tariff legislation, especially during the last generation. Yet wages have always been high, speaking generally, especially in some unprotected industries. During the early controversy on this subject between pro-

* *Tariff History of the United States*, p. 66.

tectionists and free traders, there had not been a sufficient accumulation of statistics to answer the claim of protectionists that we must have protection against the "pauper labor" of Europe. Now we know that this labor which protectionists so delight in calling pauper labor, is not cheap labor, because it is ineffective, and the high-priced labor of this country is cheaper per unit because of its superior efficiency.

THE CONDITION OF LABOR IN THIS COUNTRY UNDER HIGH PROTECTION

In 1912, in the House of Representatives in Washington, Mr. Underwood said:

Mr. Speaker, gentlemen on that side of the House are not willing to take our statement in reference to the condition of American labor. I wish to call attention to a statement in reference to the condition of American labor in the iron and steel industry, published in the minority report on the investigation of the United States Steel Corporation, signed by Hon. Augustus P. Gardner and Hon. Henry G. Danforth. (H. Rpt. 1127, pt. 2, 62d Cong., 2d sess.)

"The labor situation in certain manufacturing departments of the steel industry has always been bad, and today is bad. As a rule, in the plants of the corporation, conditions are better than in the plants of the independents. In rolling mills and the

blast furnaces, men are often required to work, or at all events remain on more or less exacting duty, for twelve hours a day for seven days in the week. Incredible as this may seem, the fact is indisputable."

WEALTH IS THE PRODUCT OF LABOR

The protection doctrine is that the wealth of this country is in its labor, meaning human labor. But human labor is only one form of labor. A machine saves human labor by doing work that otherwise would have to be done by human hands. Even in this broader sense, labor is not wealth, for wealth is the *product* of labor. We might get along without any human labor at all if we only knew how to harness the powers of nature that are all about us, such as waterfalls, the sun's rays, the winds that blow, the electricity in the air or in matter, and the unknown forces of nature. Would there be no wealth if, with control of the powers of nature, every human want could be supplied without any human labor? It is not labor that we all want, but what labor produces, and the more we can dispense with human labor as a source of power and can substitute in its place labor by machinery, through steam, electricity, and other powers, the better off—that is, the wealthier—we shall all be. In their own private business all men, including protectionists, act upon the principle that the gain is the great-

est when the least labor is required to produce the desired result. Protection proceeds upon the theory (which is not the fact, for experience demonstrates its falsity) that the gain is the greatest when the most labor is required to produce the desired result. Were it not for this erroneous notion of protectionists they would see, in common with free traders, that it is good, sound, commonsense economy to exchange home products for foreign products when there is a saving of labor on both sides by so doing.

I condense the account given by Miss Tarbell of an amusing episode. Mr. Mills said: "Suppose that a laborer who is earning a dollar a day by his work finds a suit of woolen clothes he can buy for \$10.00 without the tariff. Then the suit can be procured for ten days' work, but the manufacturer goes to Congress and says: 'I must be protected against the man buying this cheap suit of clothes.' And Congress protects him by putting on a duty of 100 per cent, or \$10.00. Now it will require the laborer to work twenty days to get this suit of clothes. Now tell me if ten days of his labor have not been annihilated."

Mr. McKinley answered lightly: "It is an old story. It is found in Adam Smith, but it is not true." To prove it was not true he aroused the attention of the House by dragging from his desk a suit of ready-made clothes. He held them up triumphantly and showed the receipted bill, ten

dollars, and said, "So, you see, the poor fellow did not have to work ten days more to get that suit of clothes."

Mr. Mills said nothing then, but he began to investigate. He sent to the shop where, according to the receipted bill read by McKinley and printed in the *Congressional Record*, the suit had been bought, and got one like it. Then he traced it to the manufacturer and got from him an exact analysis of its cost. He decided to use this information in his speech closing the debate, but forgot it that day while talking, he was so full of facts and figures. His son was in the gallery and sent a note down to him saying: "Don't forget McKinley's suit of clothes." He smiled and gave the facts. The suit cost \$4.98, omitting tariff charges, and the cost of the labor was \$1.65 of this \$4.98. The tariff duty on the wool was \$1.70. Adding this to the \$4.98 we have \$6.68, on which the manufacturer was allowed a duty of forty per cent to compensate for the wool tax, and also thirty-five per cent to protect him against the imported article. The whole cost, with all duties added, was \$10.71. "Of course," said Mills, "the manufacturer had to undersell the foreign suit and to do so he dropped under him seventy-one cents and sold his \$4.98 suit for \$10.00 with the help of the tariff."

As for McKinley's comment that the illustration came from Adam Smith, Mills told a story of the

small boy who was caught thieving and whose mother, in chiding him, said, "Don't you know it is wrong to steal? Don't you know what the Bible says?" He replied, "O now, mother, that's an old story. Moses told it 4000 years ago."

"As a matter of fact, Mr. McKinley's answer to Mr. Mills had been a trick. Mr. Mills had not said that a man could not buy a suit of clothes for \$10.00 in the United States; he said that if a tariff of 100 per cent was put on a suit which could be sold for \$10.00 without the tariff, a man would pay \$20.00 for his suit. Mr. McKinley had diverted attention from the real point by holding up a ten-dollar suit in the halls of Congress."*

The incident is a fair illustration of the sophistical reasoning used by protectionists.

SMALL PERCENTAGE OF LABOR IN PROTECTED INDUSTRIES

When the Mills Tariff bill was under discussion in Washington in 1886, the "Great Debate" lasted more than a month and one hundred and fifty-one speeches were made. The free traders (meaning the tariff for revenue only men) dwelt with particular emphasis on the small per cent of wages directly affected by the tariff. Three able, expert statisticians worked out the problem independently

* Tarbell, *The Tariff in Our Times*, page 161.

of each other. The results showed conclusively that high wages are not due to protection. According to Mr. Worthington Ford, 4.07 per cent; according to Mr. E. B. Elliot, 4.34 per cent, and, according to Mr. Simon Newcomb, 5.5 per cent of labor was found to be engaged in protected industries. Or, to put the result in another form, about 95 per cent of the wages paid in the United States are not affected by tariffs, although the earners of these wages are obliged to pay higher prices for many of the necessities of life because of these tariffs.

EVEN IN THE HIGHLY PROTECTED INDUSTRIES, BUT
A SMALL SHARE OF THE EXTRA PRICE CAUSED
BY PROTECTION GOES TO THE WAGE
EARNER

During the "Great Debate" in 1886, Mills said:

I find in this report one pair of five-pound blankets. The whole cost, as stated by the manufacturer, is \$2.51. The labor cost is thirty-five cents. The tariff is \$1.90. Now, here is \$1.55 in this tariff over and above the entire labor cost of these blankets. . . . Here is one yard of flannel, weighing four ounces: it cost eighteen cents, of which the laborer got three cents, the tariff on it is eight cents. How is it that the whole eight cents did not get into the hands of the laborer? . . . One yard of cash-

mere, weighing sixteen ounces, costs \$1.38. The labor cost is twenty-nine cents: the tariff duty is eighty cents. One pound of sewing silk cost \$5.66: the cost for labor is eighty-five cents, the tariff is \$1.69. One gallon of linseed oil costs forty-six cents: the labor cost is two cents, the tariff cost is twenty-five cents. One ton of bar-iron costs \$31.00. The labor cost is \$10.00. The tariff fixes several rates for bar-iron and gives the lowest rate \$17.92. One ton of foundry iron costs \$11.00: the labor costs \$1.64, the tariff is \$6.72. None of these tariffs go to the laborer. The road is blocked up. They cannot pass the pocket of the manufacturers. This "great American" system that is intended to secure high wages for our laborers is so perverted that all its beneficence intended for the poor workingman stops in the pockets of his employer, and the laborer only gets what he can command in the open market for his work.

CHAPTER XIII

PROTECTION NOT NECESSARY IN THE UNITED STATES

JOHN STUART MILL ON PROTECTION

THE most powerful argument ever made for protection is that presented by Mill, who was a free trader. It is as follows:

Protection to Native Industry: a phrase meaning the prohibition, or the discouragement by heavy duties, of such foreign commodities as are capable of being produced at home. . . . The only case in which, on mere principles of political economy, protecting duties can be defensible, is when they are imposed temporarily (especially in a young and rising nation) in hope of naturalizing a foreign industry, in itself perfectly suitable in the circumstances of the country. The superiority of one country over another in a branch of production often arises only from having begun it sooner. There may be no inherent advantage on one part, or disadvantage on the other, but only a present superiority of acquired skill and experience. A country

which has this skill and experience yet to acquire, may, in other respects, be better adapted to the production than those which were earlier in the field; and, besides, it is a just remark, that nothing has a greater tendency to promote improvements in any branch of production than its trial under a new set of conditions. But it cannot be expected that individuals should, at their own risk, or rather at their certain loss, introduce a new manufacture, and bear the burden of carrying it on, until the producers have been educated up to the level of those with whom the processes are traditional. A protecting duty, continued for a reasonable time, will sometimes be the least inconvenient mode in which a nation can tax itself for the support of such an experiment. But the protection should be confined to cases in which there is good ground of assurance that the industry which it fosters will, after a time, be able to dispense with it: nor should the domestic producers ever be allowed to expect that it will be continued to them beyond the time strictly necessary for a fair trial of what they are capable of accomplishing.*

Observe the limitations that Mill places on the grant of this privilege. He says that protective duties are to be imposed only temporarily and are to be continued only a reasonable time. He speaks of granting protection as "the least inconvenient mode in which a nation can tax itself for the sup-

* *Principles of Political Economy*, bk. V., Ch. 10, §1.

port of such an experiment." He says, further, there must be good ground of assurance that the industry fostered by protection will, after a time, be able to dispense with it. He limits further what he means by protection limited in time when he says that it is not to be continued beyond the time strictly necessary for a fair trial.

American protectionists can find but cold comfort from such protection as this; and, judged by the limitations Mill places upon granting it, protection should long ago have ceased in the United States. In agreement with Sumner and other economists, I am not prepared to admit that protection should be granted even under the circumstances stated. The case supposed is, moreover, that of a nation with full power to adopt a system of protection, which is not our case, for the grant of the special privilege of being protected by law is unconstitutional in essence in this country, as we have seen. Mill limits it still further to the case of a young nation and this is no longer a young nation.

As to the introduction of a new manufacture by individuals at their own risk, Mill seems to overlook the fact that whenever young men go into business, even if it be the business of carrying on some old manufacture, they do so at their own risk. It is not considered necessary for the state to grant them the special advantage of being "protected" by law. They must take their chances.

THE UNITED STATES HAS NOT NEEDED PROTECTION
FOR NEARLY A CENTURY

After making every allowance possible for the correctness of Mill's position and granting, for the sake of the argument, that in 1789 there was ground for trying the experiment of granting *moderate protection, temporarily*, I affirm that, soon after the War of 1812, now more than a century ago, this country has never needed protection for its principal industries, because it has not fulfilled during this time the conditions under which, according to Mill, it is permissible to grant protection. It is my purpose to present now the reasons that have brought me to this conclusion, and, in order that they may be understood, it will be necessary to examine the condition of manufacturing in this country since 1789, and our protective tariff legislation since that time.

THE FIRST TARIFF, THAT OF 1789

We must take into consideration the general ignorance of economics at the time and the consequent crude and barbaric laws of trade resulting therefrom. Smith's *Wealth of Nations* had been published in 1776, and, although there is evidence that it was known to many in this country, its influence had not yet had time to permeate legislation.

England had excluded American ships from its colonial ports and had forbidden the importation of many American products into its colonies, even if taken there in English ships, unless they were first exported to England, thus setting us a bad example in protectionism, which we followed after we gained our independence. But that is another story. After the Declaration of Independence our states retaliated by duties upon foreign products. Commerce between the states was seriously interfered with by the states, through duties levied on each other's products. Indeed, the evils that resulted therefrom were among the principal causes that led to the move for a new Constitution. Massachusetts, New Hampshire, Rhode Island, Connecticut, New York, and Pennsylvania thus laid duties on each other's products. New Jersey for a while tried absolute free trade. All this ended with the adoption of the Constitution, with the wise provision in Article I, Section 9: "No tax or duty shall be laid on articles exported from any state," and ever since then this country has furnished practical evidence of the benefits that result from absolute free trade.

The first tariff act was that of 1789. It levied specific duties on thirty-six enumerated articles; fifteen per cent *ad valorem* on carriages; ten per cent on seven articles; seven and one-half per cent on

sixteen; and a general horizontal duty of five per cent on all other goods, except seventeen that constituted the first free list.*

We are told by Taussig, in his *Tariff History of the United States*, p. 15, that the general range of duties was not such as would have been deemed to be protective in later days, but the intention to protect was there. We cannot imagine protectionists of our day admitting that any of the above duties are protective.

So few articles were taxed that the whole tariff was printed on one sheet of paper about twelve inches square, a copy being hung up in each custom house. Facsimile reprints should be widely distributed now, to show what modest claims protection made before it grew to be the voracious monster of a later period. Throughout our history, protectionists have unceasingly clamored for more and more protection, but the rate of increase was so slow that in 1808 the average tariff duties did not exceed thirteen per cent.

The first tariff had but a short life, for it was superseded the next year by a tariff passed in August that took effect in December. Another tariff was adopted in 1794. Twenty-four acts, making sundry changes in duties, were passed between 1794 and 1816, the details of which we need not go into.

* Stanwood, *American Tariff Controversies in the Nineteenth Century*, vol. 1, p. 58.

Notwithstanding Hamilton's famous *Report on Manufactures* of 1792, now looked upon by protectionists as having laid the foundations of protection in this country, there was only a slight increase in duties during this period. But up to the time of the Embargo Act in 1808, even under these low duties, manufacturing increased, and it prospered, for otherwise it would not have increased. Then it did not need protection. Our forbears of that time had no surplus capital to use in doubtful experiments.

A great change took place in 1809, following the Embargo and the Non-Intercourse Act, the result of the Berlin and Milan decrees of Napoleon and the English Orders in Council. Then came the war with England in 1812. All import duties were doubled, but this had little effect on the public revenue, as it was accompanied by the prohibition of all intercourse with that country. Manufactures of cotton cloth, woolens, iron, glass, pottery, etc., sprang into being. The restrictive legislation of 1808 to 1815 and the war, by cutting off imports, was equivalent to extreme protection, while it lasted. An impetus was given to these enterprises that resulted in a demand for increased protection when the war came to an end. Action was necessary, as the act doubling the duties on imports was limited in operation to one year after the conclusion of peace with Great Britain and it would come to an end, therefore, February 17, 1816. An act

was passed to continue that act until June 30, 1816, and it provided for an additional duty of forty-two per cent on the duties which should then exist "until a new tariff of duties shall be established by law."

THE TARIFF OF 1816

The brief period of thirty-nine days completed the life of the new tariff that went into effect in April, 1816. Imported cotton and woolen goods were to pay twenty-five per cent until 1819, and thereafter twenty per cent, but in 1818 the duty of twenty-five per cent was extended to 1826, furnishing an illustration of the fact that it is easier to keep up duties and to increase them than it is to lower them. Stanwood says: "The fact that manufacturers were on the spot to guide members in coming to a decision is worth noting, inasmuch as it seems to have been the first instance of interested parties going in person to Washington to promote the passage of particular tariff schedules." Further on we learn that Webster said he had been assured that the manufacturers would be contented with a duty of thirty per cent for one year, to which reply was made "that the individual consulted by Mr. Webster, though intelligent and honorable, was a manufacturer of large capital and could better stand under the operation of the amendment than many others whose means were limited and who had not

got well established." Put in plain English, this means that there must be protection enough to protect the weakest, least efficient manufacturers—that is, the pauper manufacturers—while to the most efficient manufacturers the protection given by the tariff is all profit, since they can make money without any tariff.

THE FIRST "JOKER"

The tariff of 1816 is interesting as the first one containing a "joker," although the confiding public knew not the term in this sense until many years later. This consisted of a minimum valuation proviso "that all cotton cloths or cloths of which cotton is the material of chief value (excepting nankeens imported direct from China), the original cost of which at the place whence imported shall be less than twenty-five cents per square yard, shall be taken and deemed to have cost twenty-five cents per square yard, and shall be charged with duty accordingly." Stanwood admits (p. 141), "The effect would be a duty of fully one hundred per cent, which, together with the freight, insurance, interest, and other charges, would operate effectually to keep the India goods out of the American market." But he makes no mention of the injustice that finally resulted from this proviso, unforeseen except perhaps by the manufacturers who proposed and favored it. As even coarse cotton cloth was worth, when this

measure passed, from twenty-five to fifty cents a yard, no burden was at first apparent or felt. But when, in the march of improvement, cotton cloth was made for less than twenty-five cents a yard and the cost kept on diminishing, the burden became heavier and heavier, with the usual result to be found even now in so many other tariff duties, that the poorer classes, the wage earners, were taxed more heavily than the richer classes.

THE GROWTH OF THE COTTON MANUFACTURE

The first successful attempt to manufacture cotton cloth with machinery, such as was then being used in England, was made by Samuel Slater at Pawtucket, R. I. He was an Englishman with mechanical skill and business capacity, who had been employed in Arkwright's cotton factory in England. It was not allowable to bring over the newly invented cotton machinery or drawings thereof, but Slater brought over knowledge enough in his head to enable him, with the financial backing of Brown & Almy, merchants in Providence, R. I., to have similar machinery made here, and thus cotton spinning began in this country in 1799. It made but slow progress at first, for in 1803 there were only four factories in the country. In 1808 four more factories were built near Providence, R. I., and in 1809 there were twenty-five more under construc-

tion in New England, fourteen being within thirty miles of Providence. In a report upon manufactures presented to Congress in 1810 by Albert Gallatin, Secretary of the Treasury, it was shown that several manufactures then more than supplied the home market, and that the manufactures of iron, cotton, wool, flax, and jewelry were firmly established, but most of the cotton, wool, and flax goods were still made at home and not in factories. These leading industries were, therefore, profitable then without protection.

When the period of restriction began in 1808, the importation of foreign goods was impeded and soon stopped. As a result the domestic manufacture increased rapidly. In 1809 there were sixty-two cotton factories with 31,000 spindles. In 1812 there were fifty factories within thirty miles of Providence, with nearly sixty thousand spindles running, and with capacity to increase the number to one hundred thousand. During the war this growth continued and the supply of cotton at the South increased correspondingly. In 1815 there were 500,000 spindles, approximately. It was only the spinning that was yet done by machinery, the weaving being still done on hand looms. Some intimation of the use of the power loom in England reached Francis C. Lowell, and he perfected a machine here in 1814, without any English model, and put it in operation in his factory at Waltham, Mass.

There for the first time, Taussig tells us, the entire process of converting cotton into cloth took place under one roof and the last important step in giving textile manufactures their present form was taken.

Stanwood says:*

The tariff of 1816 was not protective, so far as those establishments were concerned which had not the most efficient machinery. This is almost equivalent to saying that it was protective in relation to but one factory in the country. . . . This was the Boston Manufacturing Company, in whose mill at Waltham were not only as good and efficient machinery as that in any English mill, but also some devices invented by its bold and enterprising managers and employees which were to be found nowhere else. . . . It paid an annual dividend of 17 per cent in 1817; 12.5 per cent in each of the years 1818 and 1819; 15 per cent in 1820; 20 per cent in 1821; 27.5 per cent in 1822; and 25 per cent in each of the two following years. Although most of the other cotton manufacturers had a great struggle, and although many of them passed through bankruptcy, yet gradually, by the adoption of the power loom and other mechanical improvements in their mills, they recovered somewhat.

I have quoted thus fully from this protectionist authority because he shows clearly that even with-

* *American Tariff Controversies in the Nineteenth Century*, vol. 1, p. 173.

out protection manufacturers generally managed to get along and "recovered somewhat." If this tariff was protective to hardly more than one factory in the country, as Stanwood claims, the question arises, over how many factories he and his fellow protectionists would have a tariff protective? The line must be drawn somewhere. Must a tariff be protective of the most shiftless, badly managed factory? If drawn at any point above that, the tariff would not be protective as to all factories below that grade of efficiency—and it leaves the lowest class of pauper manufacturers besieging Congress for enough more protection so that they can carry on their unprofitable business with a profit derived through the operation of the tariff. Then the theory is that the country is to be run with a tariff that will enable these pauper industries to live. This is an encouragement to shiftlessness and inefficiency, directly promotive of reliance upon legislation rather than upon energy, improvement, and skill in the development of the particular industry.

It appears from Stanwood's statements* that the tariff of 1816 was not a protective tariff. Inasmuch as manufacturing continued to increase and to prosper under a tariff that was not a real protective tariff, this shows that manufacturing had become established, succeeded without protection, and,

* *American Tariff Controversies in the Nineteenth Century*, vol. 1, pp. 155, 156.

therefore, no longer needed it. Protection granted under such circumstances is a mere bounty, a giving away of the public funds for nothing in return.

Stanwood concludes,* "The act of 1816 settled nothing and effected little in the direction of protecting manufactures."

"Consequently the tariff act of 1816 was passed prematurely, and it was not only ineffective for the purpose avowed when it was under discussion, but was not even a successful revenue measure."†

That is to say, according to this skillful and learned protectionist, manufacturing was succeeding without protection.

Stanwood admits that the English goods imported in 1816 were of better quality than American goods. He says:

It is no wonder that people took advantage of so rare an opportunity to supply their wants. However patriotic they may have been, however strong their advocacy of home manufactures, sentiment was not powerful enough to induce them to neglect the chance to buy the foreign goods, most of them of better quality than the domestic product, and cheaper.‡

At the end of the war, in 1815, when we were more or less impoverished, suppose that, moved by

**American Tariff Controversies in the Nineteenth Century*, vol. I, p. 259.

† *Ibid.*, p. 162.

‡ *Ibid.*, p. 160.

pity for our condition (as this country has been in several instances in the case of other countries since then), several of the governments of Europe had contributed out of their resources so that the English and other nations' goods sent here could have been sold at half what we actually paid for them, or suppose they had all been given to us outright, would it have injured this country to receive them? Most people still suppose that after disaster, losses, poverty, and suffering, it benefits those who have thus suffered to receive assistance, either at diminished cost or even without cost.

No one denies that after the close of the war in 1815 there was severe depression in cotton manufacturing. But through the operation of the minimum duty clause and the general introduction of power looms, some after the Lowell pattern, some after the English pattern, the manufacture soon became profitable. Taussig says there is abundant evidence to show that shortly after the crisis following the war, the cotton manufacture had fully recovered from the depression that followed the war, and that the profits were such as to cause a rapid extension of the business. Then it did not need more protection.

CHAPTER XIV

PROTECTION NOT NECESSARY IN THE UNITED STATES (CONTINUED)

EARLY SUCCESS OF MANUFACTURES IN THE UNITED STATES

IN a series of interesting articles on the tariff acts of this country, published in the *Providence Journal* in 1912, J. B. Bowditch has given us much interesting and valuable information, showing that in 1816 the customs duties rose to \$36,306,874, or more than double the amount received during any previous year, and more than was thus received in any subsequent year until 1850. With peace came a great increase in prices. Cotton doubled in price. The first importations of foreign goods yielded great profits, but the market was soon glutted and prices fell. Many inferior cotton and woolen mills were compelled to close. But it is illustrative of the value of superior efficiency to note that the mills with power looms kept on running at a profit. The Waltham Cotton and Woolen Manufacturing Company, incorporated in 1812 with a capital of \$450,000, and the Boston Manufacturing Company, with a capital of \$400,000, which built a

large cotton mill at Waltham in 1813, were examples of the ability of well-equipped factories to withstand foreign competition and a twenty-five per cent duty only, at a time when over sixty-one per cent of the value of the product of the cotton mills was paid out in wages.

Bishop tells us that the proprietors of this mill stated to Congress that they were making a profit of twenty-five per cent and stood in no need of further protection. But constant applications to Congress for more protection were made by the owners of poorly equipped mills. These facts prove the absurdity of the contention by protectionists that the measure of protection afforded must be the difference in the cost of production at home and abroad. The cost of production at home of which mills—of those that can be run at a profit if all duties were abolished, or of those that are only saved from bankruptcy by a high protective duty? The latter are certainly to be appropriately called "pauper industries."

The mills at Nashua were founded in 1823. Fall River grew rapidly from 1820 to 1830. Lowell, named after the inventor of the American power loom, was so successful from its start in 1823 that in 1824 one of the originators said: "If our business succeeds as we have reason to expect, we shall have here [at Lowell] as large a population in twenty years from this time as there was in

Boston twenty years ago." John Waterman, who collected an assessment of one cent a spindle to pay the expenses of an agent to Washington in behalf of the interests of the cotton manufacturers, in 1815, found the number of cotton mills in or near Providence to be 170, of which ninety-nine were in Rhode Island. At that time, according to Bishop's *History of American Manufactures*, \$40,000,000 had been invested in cotton manufactures, employing 100,000 persons, only 10,000 being men above seventeen years old. Child labor problems did not then disturb manufacturers. The wages paid amounted to \$15,000,000, or 61.7 per cent of the value of the product. It is further noteworthy that during this period of a low tariff, the population of the country increased faster, although there was but little immigration, than it has ever increased under high protection, showing that the people were well off. The population nearly doubled from 1790 to 1810. New York increased from 33,000 inhabitants to 96,000 during those twenty years; Philadelphia increased from 42,000 to 91,000; Baltimore, from 13,000 to 35,000; and Boston, from 18,000 to 33,000.

Bearing in mind that this so-called protective tariff was lower than the so-called free trade tariffs of 1846 and 1857, and only about one-third as high as the abominable Wilson-Gorman tariff of 1894, it is evident that the cotton manufacturing business

had already become established by 1815. When a new tariff act was called for in 1816, it was the least efficient manufacturers who wanted the highest duties, and it was the most successful ones, like Lowell, who were moderate in their demands. This is to be borne in mind in examining the claims of the hungry horde of pauper manufacturers that hastens to Washington every time a change in the tariff is under agitation. It is but natural that every one of them wants at least that amount of protection that will enable him to carry on his otherwise losing business at a profit, and they long ago found out that by combining they could succeed in getting protection enough to save the least efficient of their number, while saving dissension among themselves and opposition from each other. The vultures and jackals over the carcass take, each one, what he can, instead of fighting each other.

Taussig mentions the fact that careful and self-reliant men, like the founders of the Waltham and Lowell enterprises, were the most urgent in advising the adoption of low rates in 1816, but this was before protection seekers had found out the advantage to be gained by combining.

In his desire to be impartial and to sum up in a judicial manner, Taussig is rather inconsistent, for he says: "On the whole, although the great impulse to the industry [cotton manufactures] was given during the war, the duties on cottons in the

tariff of 1816 may be considered a judicious application of the principle of protection to young industries;" and yet he says: "The duties of the tariff of 1816, therefore, can hardly be said to have been necessary." In concluding his examination of the subject, he says:*

Before 1824, the manufacture, as we have seen, was securely established. The further application of protection in that and in the following years, was needless, and, so far as it had any effect, was harmful. The minimum valuation was raised in 1824 to thirty cents, and in 1828 to thirty-five cents. The minimum duties were thereby raised seven and one-half and eight and three-quarters cents, respectively. By 1824 the manufacture had so firm a hold that its further extension should have been left to individual enterprise, which by that time might have been relied upon to carry the industry as far as it was for the economic interest of the country that it should be carried.

COTTON MANUFACTURES HAVE NEEDED NO IN-
CREASED PROTECTION IN THIS COUNTRY FOR
THE LAST THREE-QUARTERS OF A CEN-
TURY OR MORE

Upon a careful, deliberate examination of the facts, I can see no escape from the conclusion that

* *Tariff History of the United States*, p. 35.

for more than three-quarters of a century cotton manufacturing has needed no increased protection in the United States. The position of our country as the best in the world in which to raise cotton has been acknowledged for a century or more. So has the Yankee ingenuity in inventing machinery whenever there is a call for it. And, lastly, the abundant supply of water power in the numerous valleys of New England enabled us to obtain the power needed, at a minimum cost. Further, adequately equipped and well managed mills have always succeeded, even when they had what protectionists tell us was inadequate protection. Cotton manufacturers have needed no increased protection in this country for nearly a century.

The ingenuity and inventiveness of American mechanics have become traditional, and the names of Whitney and Fulton need only be mentioned to show that these qualities were not lacking at the time we are considering. The presence of such men rendered it more easy to remove the obstacles arising from want of skill and experience in manufactures. The political institutions, the high average of intelligence, the habitual freedom of movement from place to place and from occupation to occupation, also made the rise of the existing system of manufacturing production at once more easy and less dangerous than the same change in other countries.*

* Taussig, *Tariff History of the United States*, p. 62.

INCREASED PROTECTION TO COTTON INDUSTRIES IN
1824 WAS UNNECESSARY

Taussig tells us that by 1824 the cotton industry was firmly established and almost independent of support by duties.

Mr. Nathan Appleton, who was a large owner of cotton factory stocks, and who was also, in his time, one of the ablest and most prominent advocates of protective duties, said in 1833 that at that date coarse cottons could not have been imported from England if there had been no duty at all, and that even on many grades of finer goods competition was little to be feared. In regard to prints, the American goods were, quality for quality, as cheap as the English, but might be supplanted, in the absence of duties, by the poorer and nominally cheaper English goods—an argument often heard in our own day, which obviously puts the protective system on the ground of regulating the quality of goods for consumers. The general situation of the cotton manufacture, as described by Appleton, was one in which duties had ceased to be a factor of much importance in its development.

FURTHER PROOF THAT COTTON MANUFACTURING
WAS FIRMLY ESTABLISHED AND NEEDED NO
INCREASED PROTECTION

The Waltham Cotton Mill began business before the close of the War of 1812. It was the best

equipped cotton mill in the world when the tariff of 1816 was passed, paying big dividends. Some of its stockholders, with other capitalists, built a large cotton mill at East Chelmsford, Mass., now Lowell, in 1822, under the name of the Merrimac Manufacturing Company. It began in 1823 with a capital of \$1,200,000, and paid a dividend of \$160 a share in 1825. Writing in 1864, Bishop said that this company has continued since 1825, with few intermissions, to divide about twelve per cent annually. It employed 500 operatives in 1822, nearly all Americans, and exported sheetings and shirtings to South America in competition with British fabrics. It will be urged by protectionists that it is not fair to pick out and cite a few instances of the most successful ventures in the cotton industry. It is precisely such instances that show what the state of the industry was when efficiently managed. With the same management in the other mills, they too could succeed, and therefore the industry was beyond the need of increased protection. Then and there a beginning should have been made in reducing the protection given instead of increasing it.

FURTHER PROOF THAT THE COTTON INDUSTRY NO LONGER NEEDED PROTECTION

Notwithstanding the pendency of the Compromise Tariff of 1833, large investments continued to

be made in cotton mills then and later, after the act passed. In 1835 the Amoskeag Company began operations on a large scale in Manchester, N. H. The first Stark Mills were built there in 1838 and the second mills in 1839. Although depression in the business checked growth awhile, it did not prevent further investments even before the act of 1842. In a work by Robert Montgomery in 1840, he reached the same conclusions that have been reached since by competent observers, that money wages were about twice as high here as in Europe, but the product per spindle and per loom was considerably greater. The result of elaborate tables was a difference of three per cent in favor of American manufactures. The industry was successful and needed no protection. Nevertheless, more protection was given in 1842 and of course manufacturers increased their profits. It is not claimed that this was entirely due to the duties. Cotton was lower, so that here as well as in Europe there was more profit in the business. It had outgrown any need of protection.

THE GROWTH OF THE WOOLEN INDUSTRY IN THE UNITED STATES

Unlike cotton, wool varies greatly in quality, character, and length of fiber, and the demand is greater than the supply. It has to be carefully

sorted by hand before it can be used in manufacturing. Some wools can be successfully raised in the United States, others cannot. Following their usual theories, protectionists were of course led to maintain that all wools used for making cloth in the United States must be raised in the United States, no matter what natural obstacles and reasons may stand in the way and no matter if it would be economic wisdom to raise some kinds of wool elsewhere and to take them in exchange for American products more economically raised or made here. The way to make this theory actual fact was, of course, through protective custom-house taxation—that is, by taxing all imported wools, no matter whether they could be successfully produced here or not. The result has been a burden on the woolen manufacturers and, through them, on all consumers. On home-raised wools they have had to pay the natural price plus the tariff tax, or just as little below that price as would keep out the same wool raised abroad. On the foreign wools not found practicable to raise here woolen manufacturers and consumers have to pay the foreign price plus the tariff. It will be seen at once that all the tax paid on wool actually imported goes into the treasury of the United States, while all the extra price paid to the raisers of wool in this country in consequence of the artificial price due to the tariff goes into the pockets of the home raisers—out of the pockets of

the consumers. To compensate the woolen manufacturers for both, the protection theory required and obtained a custom-house duty on woolen cloths high enough to limit materially their importation. To carry out their theory protectionists should have insisted upon absolutely prohibitory duties, but they have not succeeded in outraging the common sense of the American people to that extent.

WOOLEN MANUFACTURING AND THE TARIFF

Although we have not full accounts of the early history of the manufacture of woolen goods in the United States, we have enough to show us that the general course of events was like that in cotton manufacturing. Both spinning and weaving continued to be done on the spinning wheel and the hand loom even after Arthur and John Scholfield, from England, established a factory at Byfield, Mass., in 1794, introducing machinery for carding wool and for dressing (fulling) woolen goods. Development was impeded by the deficient supply and poor quality of wool. This was remedied by the importation from Spain of fine merino sheep in 1802 and later. By 1810 the carding and spinning of wool by machinery was begun in some of the cotton mills of Rhode Island. In Taft's *Notes* there is mention of the Peacedale Manufacturing Company, which began in 1804 and is still in active operation. It is

said that the spinning jenny was first applied to wool in this factory. A rough estimate, the best that could be made in the absence of better data, in *Bulletin of Wool Manufacturers* (486) states that the value of woollen goods made in factories rose from four million dollars in 1810 to nineteen million dollars in 1815. Renewed heavy importation of English goods after the war interfered with our home manufactures and showed that the duties were not protective. The tariff of 1816, therefore, raised them, making them the same as those on cotton goods, twenty-five per cent, to be reduced in three years to twenty per cent in 1819. But before 1819 came, this reduction was postponed and it was never made, furnishing us with illustration of the difficulty of reducing the tariff rates through horizontal reduction, for there is always an active body of interested manufacturers to see to it that the proposed reduction is postponed, or abandoned, while there is no organized body to see to it that the reduction is continued. In this tariff (of 1816) there was no minimum-valuation clause for woollen, as there was for cotton goods; hence, later, there was less protection for woollens than for cottons. The duty on imported wool was fifteen per cent. It will be seen that this tariff afforded only slight protection to woollen manufacturers. Taussig says that the provisions of the tariff act of 1824 did not materially improve their condition. Under it the duty on woollen

goods was raised to thirty per cent, and to thirty-three and one-third per cent after 1825. This was counterbalanced by raising the duties on imported wool from twenty per cent to twenty-five per cent after 1825, and to thirty per cent after 1826, except on wool costing ten cents a pound or less. Ever since 1816 wool has been imported to supplement the domestic supply, and, therefore, the protection may be allowed not to have been excessive from the protectionist point of view. The woolen manufacture continued to increase steadily and in 1828 was securely established.

HIGHER DUTIES SOUGHT

In 1823 the woolen manufacturers of Boston organized to promote the securing of higher protective duties, which were not needed. The testimony given in 1828 by woolen manufacturers before a Committee on Manufactures of the House of Representatives proved this clearly. It showed that the difficulties arising from lack of skill and experience and other such temporary obstacles no longer had influence in preventing the growth of this industry. One manufacturer testified that the application of the power loom to weaving woolens had been made in the United States earlier than in England. This is hardly remarkable when we take into account the superior American ingenuity in invention and

in the use of machinery, as had already been illustrated by Eli Whitney's invention of the cotton gin. The opinion was expressed by several [witnesses] that the mere cost of manufacturing was not greater in the United States than in England: that the American manufacturer could produce at as low prices as the English, if he could obtain his wool at as low prices as his foreign competitor.

One manufacturer said at this hearing:

The high prices we pay for labor are, in my opinion, beneficial to the American manufacturer, as for those wages we get a much better selection of hands, and those capable and willing to perform a much greater amount of labor in a given time. The American manufacturer also uses a larger share of labor-saving machinery than the English.

This is interesting because it adumbrates what now has been clearly proved—that is, that, owing to the superior efficiency of the American workman, the cost of labor per unit is often lower than in Europe, although we pay so much higher day wages. Taussig's conclusions are so convincing, yet put so judiciously after weighing all the facts, that I will repeat them. He says:*

This testimony seems to show conclusively that at the time when it [protection] was given, the woolen

* *Tariff History of the United States*, p. 43.

manufacture had reached that point at which it might be left to sustain itself: at which accidental or artificial obstacles no longer stood in the way of its growth. That many of the manufacturers themselves wanted higher duties, is, for obvious reasons, not inconsistent with this conclusion. Progress had been less certain and rapid than in the case of the kindred cotton manufacture, for the conditions of production were less distinctly favorable. The displacement of the household products by those of the factory was necessarily a gradual process, and made the advance of the woollen manufacture normally more slow than that of the kindred industry. But the growth of the cotton manufacture, so similar to that of wool, of itself removed many of the obstacles arising from the recent origin of the latter. The use of machinery became common, and, when the first great steps had been taken, was transferred with comparative ease from one branch of textile production to another. In 1828, when for the first time heavy protection was given by a complicated system of minimum duties, and when the actual rates rose, in some cases, to over one hundred per cent, this aid was no longer needed to sustain the woollen manufacture. The period of youth had then been passed.

In one respect woollen manufacturing has been under a difficulty in this country that cotton manufacturing has escaped, *i. e.*, early in the development of cotton manufacturing it was settled that this country was to become the great source of supply of cot-

ton, and, consequently, it was not necessary to "protect" it by a duty on imported cotton, as little was imported. But the woolen industry has had to suffer from the efforts of protectionists to increase the production of wool in this country by duties on the different grades of imported wool that were not, and, perhaps, could not be, successfully raised in this country, although the manufacturers must have them to produce certain kinds of woollens.

USELESS TO UNDERTAKE TO PROTECT WOOL

The fact is, the protective dogma has not, and probably never can, make good in wools and woollens. It is one of those cases where we can use land, time, labor, and money to better advantage. The doctrine of protection, as well as common humanity and common sense, orders the gradual but steady wiping out of all duties on everything necessary to the health and comfort of the people, unless, in a reasonable time, these duties can supply us better and cheaper goods than we can buy in the world market.*

Other portions of the world are better fitted by nature than we are to raise wool, and, after taking nearly a century to find this out, it would be well now for us to accept the situation.

* Tarbell, *The Tariff in Our Times*, p. 333.

CHAPTER XV

PROTECTION NOT NECESSARY IN THE UNITED STATES (CONTINUED)

THE GREEDINESS OF PROTECTIONISTS. THE HARRIS- BURG CONVENTION

THE woolen bill having failed of passage in 1827, a national convention of protectionists was called to promote protection, principally of the woolen industry, incidentally of other industries, as a means to gain strength. About one hundred persons, mostly manufacturers, met at Harrisburg in response to the call. They asked for even higher duties on woolens than the bill of the same year had provided. The *ad valorem* duty on woolen goods was to begin with forty per cent, to be raised gradually to fifty per cent. It was to be assessed on minimum valuations of fifty cents, \$2.50, \$4.00 and \$6.00 a yard. The duty on wool was to be twenty cents a pound, to be raised each year two and one-half cents until it should reach fifty cents a pound. Of course, such duties would stop all importation long before this limitation. The woolen manufacturers thus showed their inordinate greed in asking for more than could be expected to be

given to them, when their industry was already well established and needed no increased protection even under the principles of the protectionists' own creed.

MORE PROTECTION WANTED

To overcome or prevent the importation of these English woolens it was sought, in 1826, to apply the principle of the cotton "joker," known as the minimum-valuation system. Meetings were held in Boston of the woolen manufacturers. The legislature passed resolutions, which were presented to the House in Washington by Webster, asking for further protection of woolens. A committee was sent on to present the matter before the Committee on Manufactures, and a bill was reported giving the manufacturers all they asked for. But the bill met with strong resistance by the opponents of protection. To give an example: the duty on goods worth about forty cents a yard would be thirteen and one-third cents if the value was less than forty cents, but would be eighty-three and one-third cents if the value was more than forty cents. If the value could be made to appear to be less than forty cents, the importer would save seventy cents a yard in duties.

On the other hand, the system had the want of elasticity which goes with specific duties. All goods costing between forty cents and \$2.50 were charged with the same duty, so that cheap goods were taxed

at a higher rate than dear goods. The great gap between the first and second minimum points (forty cents and \$2.50) made this objection the stronger. But that gap was not the result of accident. It was intended to bring about a very heavy duty on goods of the grade chiefly manufactured in this country. The most important domestic goods were worth about a dollar a yard, and their makers, under this bill, would get a protective duty of eighty-three and one-third cents a yard. The object was to secure a very high duty, while retaining nominally the existing rate of thirty-three and one-third per cent.*

The dishonesty of such a procedure is apparent at a glance. Although the bill failed of passage that year, it became incorporated, in substance, in the tariff of 1828, but with an important change, the insertion of a minimum point of \$1.00, the Harrisburg scheme having provided no break between forty cents and \$2.50; and the rates were made specific instead of *ad valorem*. That is to say, woolen cloths worth over a dollar a yard were taxed at the rate of the next minimum—that is, as if they cost two dollars and a half a yard, irrespective of their actual cost. To escape this the natural tendency was to invoice these goods so as to bring their value under one dollar a yard. This incentive to undervaluations and false invoices has always led to disputes at the custom house. Instead of learning

* Taussig, *Tariff History of the United States*, p. 82.

through experience that all such sharp attempts of the law to make a duty appear to be less than it actually is, are wrong, from that day to this tariff-makers have worked this same trick and the same or similar false discriminations still are to be found in the duties on certain kinds of wool and woollens. The custom-house authorities still make the same old complaints they made eighty years and more ago of the depravity of the foreign exporter, although he may be only the agent of the real party, perhaps an American in this country. Inspectors and appraisers still make the same old attempts to enforce the rigid provisions of the law, through close inspection and infliction of severe penalties. Protectionists cannot be made to see that improvement can best be made through simplification, elimination of false discriminations in minimum duties, and a gradual progressive reduction of these antiquated and unnecessary provisions of the tariff.

NO NECESSITY FOR INCREASED PROTECTION OF WOOL
OR WOOLEN MANUFACTURES FOR THREE-
QUARTERS OF A CENTURY

It appears that direct protective legislation had even less influence in promoting the introduction and early growth of the woollen than of the cotton manufacture. The events of the period of restriction from 1808 to 1815 led to the first introduction of

the industry and gave it the first strong impulse. These events may indeed be considered to have been equivalent to effective, though crude and wasteful, protective legislation, and it may be that their effect, as compared with the absence of growth before 1808, shows that protection in some form was needed to stimulate the early growth of the woolen manufacture. But by 1815 the work of establishing the manufacture had been done. The moderate duties of the period from 1816 to 1828, partly neutralized by the duties on wool, may have something to sustain it; but the position gained in 1815 would hardly have been lost in the absence of these duties. By 1828, when strong protection was first given, a secure position had been reached.*

Here, then, was an instance where the "moderate and temporary protection" that protectionists have told us is all they want had been granted and the industry had become established. Yet then, as ever since, the cry was, and still is, for more and more protection.

As in the cotton industry, there is no escape from the conclusion that, judged by the conditions laid down by Mill and always fondly urged and relied upon by protectionists, the manufacture of woollens was an accomplished fact, an established industry, so many years ago that for more than three-quarters of

* Taussig, *Tariff History of the United States*, p. 45.

a century it has not needed any increase in protection, and, with free wool, has not needed any protection.

CERTAIN FACTS ABOUT WOOL AND WOOLENS

Woolen cloth has long been thought to be the best material for clothing. But for years "protection" has tended to substitute cheap and poor substitutes, especially for the laboring classes. Cotton, which is an inferior article for clothing, has been taking the place of wool, because of the increase in the cost of woolen goods caused by our protective tariffs. Wool men deceive or mislead us when they tell us that seventy per cent of the wool we use in making woolen goods is produced at home, by figuring on domestic wool before the grease is taken out and by comparing this with imported woolen goods made of wool from which the grease was taken out before it was made into the cloth imported. In 1909 our woolen manufacturers used thirty-seven per cent of domestic wool to sixty-three per cent of foreign wool. The tariff duty has kept out the best wool with grease in it by taxing it, grease and all, while it makes domestic wool like it too dear to buy for use in its place.

There are two classes of woolen goods, carded and worsted, and they call for different kinds and

grades of wool, the proper use of which is interfered with, and sometimes prevented, by the artificial distinctions of our "protective" tariffs, with the result that some woollens are "protected" out of existence, while others are fostered into a hot-house excess of production until cut down by some unexpected tariff change secured in Washington through some hostile influence, often working in secret. After thus taxing certain kinds of wool so much that woollen manufacturers could not use them, and thus stimulating the use of imported substitutes in their place, they, too, were thus taxed, and cotton was forced to be used in their place. From 1890 to 1905 the use of cotton in clothing increased about one hundred per cent, while the use of wool in clothing increased only about twenty-five per cent. In 1890 we used 8.75 pounds of wool *per capita* of our population. In 1904 we used only 6.22 of wool *per capita*. It must be admitted, however, that this is not all due to the tariff; but, nevertheless, the tariff has been the principal cause of this diminishing use of wool for clothing, especially among the working classes. For the cheaper the goods, the higher have been the tariff rates on woollens, with the result that the poor pay the most of the tax or the increased price of the domestic goods. It may be said generally that the tariff makes woollen cloth cost the consumer in the United States twice as much as it costs him in England.

GROWTH OF THE IRON MANUFACTURE

As the process of conversion of crude iron into tools, etc., had already been mastered in this country during our colonial period, it needed no protection when we became independent. Therefore, the controversy as to the necessity of protection in the iron industry has been confined mainly to the production of pig iron and bar iron. During our colonial period England was using more iron than was produced at home, and, consequently, she encouraged the production in these colonies. About 1750 coke from soft coal in the blast furnace began to take the place of charcoal in England, followed by improvements there in puddling and rolling. Production increased slowly from a small scale to a large scale. In this country old processes continued in use, there being no lack of forests for the charcoal required. The war of 1812 stimulated production, followed, when peace came, as in the case of the textile industries, by heavy importation of iron at low prices. This led to protective duties by Congress in 1816, which were increased in 1818, and again in 1824 and 1828, and were reduced in 1832. In 1816 Congress undertook to ward off the competition of the cheaper rolled iron produced in England by improved methods by a heavy discriminating duty which in 1828 was equivalent to one hundred per

cent. It appeared in the tariff acts of 1832 and 1842 and did not end until 1846. Taussig says:*

The real motive for maintaining the heavy tax through these years undoubtedly was the unwillingness of the domestic producers to face the competition of the cheaper article. The tax is a clear illustration of that tendency to fetter and impede the progress of improvement which is inherent in protective legislation. It laid a considerable burden on the community, and, as we shall see, it was of no service in encouraging the early growth of the iron industry.

Our relative advantage over England because of our forests, that supplied us with charcoal, diminished as coke took the place of charcoal in producing iron in England, and as our own supply became diminished through the destruction of our forests as our population increased.

Russia and the Scandinavian countries, with their immense forests and their redundant population, willing to work at low returns, kept up the supply of excellent hammered iron at lower prices than it could be produced here, although we had a high protective duty. Taussig says that as importations continued on a considerable scale the price of iron made here was clearly raised over the price of the foreign iron by the amount of the duty, with the

* *Tariff History of the United States*, p. 53.

result that the users of iron here paid the duty, whether the iron was of foreign or domestic origin, in prices from forty to one hundred per cent higher than foreign prices.

The fact that the manufacturer, notwithstanding the heavy and long-continued protection which it enjoyed, was unable to supply the country with the iron which it needed, is of itself sufficient evidence that its protection as a young industry was not successful. It is an essential condition for the usefulness of assistance given to a young industry, that the industry shall ultimately supply its products at least as cheaply as they can be obtained by importation; and this the iron manufacture failed to do.*

In spite of protection—perhaps because of protection, for it benefited the inefficient ironmakers and, hence, delayed their adoption of better methods—pig iron continued to be made in this country only with charcoal. Better methods were not used until after the Compromise Tariff Act of 1833 was passed, with steadily decreasing duties.

DUTY ON IRON A HEAVY TAX ON CONSUMERS

No better illustration can be given of the baleful influence of protection in protecting inefficiency and delaying the adoption of improved methods. So poorly were our protected iron manufacturers equipped that when railroad building began they

* *Tariff History of the United States*, p. 56.

could not supply the rails. In 1832 Congress provided that duties on all rails imported within three years should be refunded, and under this act our first railroads escaped all duties on their imported rails. It was not until duties reached almost their lowest point that the iron manufacturers of this country used anthracite coal in their blast furnaces. It was the cessation or absence of protection that drove them to the use of anthracite under a patent of 1833. This important discovery led to great development of iron manufacture, and its production on a great scale began, due, not to protection, but to the adoption of better methods of production. Through our anthracite coal this country gained an advantage over England in the production of iron that did away with any claim that the industry needed protection. Taussig, in his impartial way, sums up the situation as follows:*

It seems clear that no connection can be traced between the introduction and early progress of the iron manufacture and protective legislation. . . . After 1815 the new régime in the iron trade had begun: the use of coke in the blast furnace, and the production of wrought iron by puddling and rolling had changed completely the conditions of production. The protective legislation which began in 1818 and continued in force for nearly twenty

* *Tariff History of the United States*, p. 57.

years, was intended, it is true, to ward off rather than to encourage the adoption of the new methods; but it is conceivable that, contrary to the intentions of the authors, it might have had the latter effect. No such effect, however, is to be seen. During the first ten or fifteen years after the application of protection, no changes of any kind took place. Late in the protective period, and at a time when duties were becoming smaller, the puddling process was introduced. The great change which marks the turning point in the history of the iron manufacture in the United States—the use of anthracite—began when protection ceased. It is probably not true, as is asserted by advocates of free trade—*e. g.*, Grosvenor, p. 197—that protection had any appreciable influence in retarding the use of coal in making iron. . . . It is hardly probable, therefore, that protection exercised any considerable harmful influence in retarding the progress of improvement. But it is clear, on the other hand, that no advantages were obtained from protection in stimulating progress. No change was made during the period of protection which enabled the country to obtain the metal more cheaply than by importation, or even as cheaply. The duties simply taxed the community; they did not serve to stimulate the industry, though they probably did not appreciably retard its growth. We may therefore conclude that the duties on iron during the generation after 1815 formed a heavy tax on consumers; that they impeded, so far as they went, the industrial development of the country; and

that no compensatory benefits were obtained to offset these disadvantages.*

PRACTICAL RESULTS OF HEAVY DUTY

From 1830 to 1842 all railroad iron was admitted to this country free of duty. It was the beginning of our system of railroads and the larger part of all iron imported consisted of rails for these roads. There was a heavy discriminating duty on rolled bar iron from 1818 to 1846 (except during a few months in 1842) of about one hundred per cent.

Its effect was neutralized in part by the free admission of railroad iron, which was one form of rolled iron; but so far as it was applied to rolled iron in general, it simply prevented the United States from sharing the benefit of a great improvement in the arts. It had no effect in hastening the use of the puddling and rolling processes in the country.†

The folly of the kind of protection that kept a good article out of the country and forced Americans to use a poor article in its place at a high price is shown conclusively and forcibly by the language used by Gallatin in 1831:

To persist, in the present state of the manufacture, in that particular competition, and for that purpose to proscribe the foreign rolled iron, is to compel the

* Taussig, *Tariff History of the United States*, pp. 53, 55, 57 et seq.

† Taussig, *Ibid*, p. 127.

people for an indefinite time to substitute a dear for a cheap article. It is said that the British iron is generally of inferior quality: this is equally true of a portion of that made in America. In both cases the consumer is the best judge—has an undoubted right to judge for himself. Domestic charcoal iron should confine itself to a competition with the foreign iron made from the same fuel.

In 1840 anthracite coal began to be applied in this country to the making of pig iron. This was because of the introduction of the hot blast. About the same time (1842) the tariff imposed heavy duties on all kinds of iron, including railroad iron. Consequently the production of iron increased rapidly through this combination of causes, of which the use of anthracite coal by the hot blast method was enough, without any increase of protection. As Taussig says, "Some part of this great growth was certainly due to the high protection of 1842; but, under any circumstances, the use of anthracite would have given a great stimulus to the iron trade." In other words, protection was unnecessary.

The use of anthracite was in itself protection, and all the protection the industry needed or should have received, for this country has a practical monopoly in anthracite. Its use for producing all kinds of iron, pig iron, rolled iron, railroad iron, etc., increased rapidly. It was first used in puddling and reheating about 1845, and in nine years (1856) the

production of rolled iron was nearly five hundred thousand tons.

Taussig sums up the situation of iron as follows:*

The high duty on iron in its various forms between 1832 and 1841, and again in 1842-46, impeded importation, retarded for the United States that cheapening of iron which has been one of the most important factors in the march of improvement in this country, and maintained in existence costly charcoal furnaces long after that method had ceased in Great Britain to be in general use. The first step towards a vigorous and healthy growth of the iron industry was in the use of anthracite in 1840. That step, so far from being promoted by the high duties, was taken in a time when duties were on the point of being reduced to the twenty per cent level. Hardly had it been taken when the high duties of the tariff act of 1842 brought about (not indeed alone, but in conjunction with other causes) a temporary return to the old charcoal process. A number of new charcoal furnaces were built, unsuited to the industry of the time and certain to succumb before long.

No better illustration can be given of the fact stated, that protection prevents the introduction of new, improved methods and machines and thereby favors the inefficient. Taussig concludes:

*Taussig, *Tariff History of the United States*, p. 134.

On the other hand, the lower duties did not prevent a steady growth in the making of anthracite iron: while the production of railroad iron and of rolled iron in general, also made possible by the use of anthracite, showed a similar steady progress. There is no reason to doubt that, had there been no duty at all, there would yet have been a large production of anthracite pig and rolled iron. Meanwhile the country was rapidly developing and needed much iron. The low duties permitted a large importation of foreign iron, in addition to a large domestic production. The comparative cheapness and abundance of so important an industrial agent could not have operated otherwise than to promote material prosperity.*

* P. 135.

CHAPTER XVI

PROTECTION NOT NECESSARY IN THE UNITED STATES (CONTINUED)

PROTECTION RETARDING ADOPTION OF BETTER PROCESSES

STANWOOD admits that a considerable part of the disadvantage under which American iron-makers labored was due to their neglect to make use of the improved process and the coke fuel that imparted a prodigious stimulus to the English manufacture, while seeking to excuse it by the great distances between the known iron deposits, the coal, and the iron market, the poverty of the ironmakers, and the small scale on which they worked. In other words, ironmaking deserved help (protection) because it was a pauper industry, by which I mean that it was an unprofitable industry. This brings us back to the same old question, whether the money of the people, taken from them through taxation, is to be used to prop up a losing business until that indefinite time that, after more than a century, we have not yet reached, when the business can stand on its own feet, without entailing further hardship on the people. What industry is there that, after protection for a

century and a quarter, admits that it can now stand without protection? What industry ever will admit it?

It appears, then, that, according to the statement of this fair-minded protectionist, Stanwood, that all the iron manufacture needed to make the industry successful in this country was the adoption of better methods. He admits, although attempting to qualify it, that, "It may well be true that the effect of the protective duty was to postpone for a longer time than would otherwise have been the case the adoption of the improvements introduced in England."

It is plain common sense to maintain that when an industry reaches such a condition that all it needs in order to succeed is the adoption of well-known, improved methods, it needs no protection.

THE BESSEMER PROCESS

In 1856 Sir Henry Bessemer invented the Bessemer process for making iron and steel. It was of enormous industrial importance, because it reduced the cost materially. Its essential principle was the oxidizing of the carbon in cast iron by forcing a blast of air through a mass of the molten metal. Bessemer's licensees under his patents were not successful at first, so he continued his experiments, and, failing to induce others to use his inventions, he built works of his own in Sheffield, England; was success-

ful, and kept on enlarging them until other steel producers found he was underselling them by nearly a hundred dollars a ton. Applications for licenses followed; Bessemer received more than five million dollars in royalties and was knighted by the Queen.

IRON INDUSTRY NEEDED NO PROTECTION

At this time and during the Civil War, and our adoption, step by step, of high protection, everything was favorable to the production of iron and steel in the United States. We had and have unlimited supplies of the best ores and coal, and the processes of manufacture were well known and established. As in England, the Bessemer process had revolutionized the industry and lowered the cost of production. None of the conditions requiring protection existed, and, therefore, there was no need of protection. The ever-increasing protection given to the industry for many years was purely a gift to clamorous, insatiate mendicants. Had there been no change in the iron and steel schedules since the Walker tariff, the industry would have developed as well as it has under protection, we would have had cheaper iron and steel, possibly even American-built iron ships, the profits of the business would have been more evenly divided, and we would have been spared the infliction of our crop of Pittsburgh millionaires.

The iron and steel industries of this country were well established, successful industries before our Civil War, and became such in spite of protection, not in consequence of it. Consequently they have needed no protection and the high protection given them since our Civil War has been purely a gift of the right to exact tribute from consumers without any equivalent. The case is, therefore, worse than that of either of the textile industries of cotton and wool.

It is not necessary to examine other protective duties, nor to do more than to explain briefly the course of tariff legislation to the period of the Civil War. Under the excuse of the necessity for increased revenue, protection gradually gained a hold upon the American people that has culminated in a saturnalia of high protection that has lasted now nearly fifty years. It has got such a hold on us that we cannot get rid of it at once. We are in the condition of the toper who, however much he may have resolved to reform, has to take another nip the next morning, to steady himself. We must get rid of protection by easy stages before we can get down to free trade (meaning a tariff for revenue only).

DUTIES ON IMPORTS WERE NOT MADE PAYABLE UPON
IMPORTATION UNTIL 1842

The requirement of immediate payment of duties upon landing of imports was not introduced until

1842. Before then credit had been granted the importers for a period varying from three to twelve months, thus allowing time to sell the goods imported and to pay the tax out of the proceeds collected. A determined effort in 1820 to change this system failed of passage. It is no wonder that importers then grew rich.

THE TARIFF OF 1824

This tariff was a success from a revenue standpoint, and, to that extent, a failure from the protectionist standpoint. It raised the duties on cotton cloth, which was unnecessary, for the industry was firmly established and almost independent of support by duties; for, as the use of the power loom and other improvements brought the price of coarse cotton cloth much below twenty-five cents, the minimum duties became prohibitory. Taussig says that the cheaper grades of cotton cloth were produced so cheaply and of such good quality that the manufacturers freely asserted that the duty had become nominal and foreign competition was no longer feared. In other words, a present of more protection was made to manufacturers who needed none. Of course, this had its effect on woollen and other manufactures, as well as on the advocates of protection in general, and all clamored for more protection, and an earnest effort was made to extend the min-

imum system to woolens, but it failed. A great reduction in England of the duty on wool, combined with an increase here of this duty, enabled the English manufacturers of woolens to export large stocks to this country and to sell them at reduced prices. According to Stanwood, this tariff was a thorough-going, protective act. How can this be, inasmuch as it brought in a larger revenue?

Stanwood admits that in 1824, besides the cotton men who did not want protection, there were also woolen manufacturers who did not want it. He says, "New England, on the whole, believed that its industrial progress did not need a protective tariff."

Now, surely, the men of that particular section of the country who were then engaged in manufacturing—that is, intelligent New England—may be supposed to know what they wanted. Therefore, when a protectionist admits that in 1824 New England did not need a protective tariff, it is evident that the manufactures of that region had become established and the time had come, under Mill's statement as to what circumstances justify protection and how long such protection shall last, when protection should have been gradually withdrawn; for, if an industry cannot continue to live after being fully established under protection, it is economic waste to keep on taxing the people to maintain an unprofitable business.

THE TARIFF OF ABOMINATIONS

This act, passed in 1828, was so called because during its consideration it became loaded down with amendments proposed by its enemies, mostly southern members, with the idea that they were so preposterous that even if adopted as amendments they would secure the rejection of the bill as a whole. But they were accepted as valuable additions by the friends of the bill, although the southern members said openly that they meant to make the tariff so bitter a pill that no member from New England could swallow it. Nevertheless, Webster supported it on the ground that, as Massachusetts had been led into her manufacturing through protective tariff legislation, her resulting industries should now be protected. Out of two wrongs he thus made one right.

DISSATISFACTION WITH THE HIGH PROTECTIVE
TARIFF OF 1828

In 1829 resolutions protesting against this tariff were passed by the legislatures of Virginia, North and South Carolina, Alabama, and Georgia. At a meeting in Boston the tariff was declared to be partial, oppressive, and contrary to the spirit of the Constitution. Then came the nullification ordinance of South Carolina, President Jackson's proclama-

tion warning the state of the consequences of any attempt to resist the authority of the Government of the United States, and the rescission of the nullification ordinance by South Carolina. The revenue of the federal government was in excess of its needs, and, although another act had been passed by Congress reducing the average duty to about thirty-three per cent and adding about two hundred items to the free list, the President called for a further reduction to a revenue basis in his annual message in December, 1832, in which he said, "Those who take an enlarged view of the condition of our country must be satisfied that the policy of protection must be ultimately limited to those articles of domestic manufacture which are indispensable to our safety in time of war."

THE TARIFF OF 1832

So glaring were the injustices of the provisions of the tariff of 1828, and so badly did they work, that all were dissatisfied and changes in it were soon made. In 1832 the minimum-valuation system was abolished and woolen goods were subjected to a simple *ad valorem* duty of fifty per cent. Other "abominations" of the tariff of 1828 were done away with, and wool costing less than eight cents a pound was admitted free of duty, although higher-priced wools were left subject to a compound duty of four cents a pound and forty per cent. Protec-

tionists are always under insuperable difficulties when they seek to protect a manufacture and also the material used in that industry. If they would protect woolens, beside a duty on woolens they should admit wool free or with only a low duty. But the Middle West is a sheep-growing country and has votes, to retain which wool must be protected. This in turn arouses the manufacturers, who also have votes. Taussig says that the effect of these and other changes was to put the protective system back, in the main, where it had been in 1824.

THE COMPROMISE TARIFF OF 1833

The concessions or compromises of this tariff have given it this name. Clay, standing for high protection, was defeated as candidate for the Presidency. With the help of Calhoun, the southern advocate of free trade, this act was adopted. All duties in excess of twenty per cent in the tariff of 1832 were to have one-tenth of the excess over twenty per cent taken off on January 1, 1834; one-tenth more was to be taken off on January 1, 1836; one-tenth more on January 1, 1838; one-tenth more on January 1, 1840; on January 1, 1841, one-half of the remaining excess was to be taken off, and on January 1, 1842, the other half. After July 1, 1842, there would be a uniform rate of twenty per cent on everything. That reduction actually took place, and

July, 1842, brought us under a tariff of one common, uniform rate of twenty per cent. According to latter-day calamity howlers and Republican "Publicity Leagues," all our mills should have failed or have gone out of business. As a matter of fact, they continued to run and to declare dividends. What better proof is there that they were prosperous and successful?

THE TARIFF OF 1842

Although the tariff of 1833 was passed with the intention of establishing a settled policy, and, consequently, with the expectation that the uniform rate of twenty per cent on all imports reached in July, 1842, should be permanent, yet it lasted only two months, from July 1, 1842, to September 1, 1842. The tariff of 1842 was known as the Whig tariff, and was a party measure. It raised duties, not because manufacturers wanted them raised, but because the politicians wanted an issue, as Calhoun put it. It remained in force only four years and was a mere eddy in the now steady stream setting toward free trade (meaning by free trade a tariff for revenue only).

THE TARIFF OF 1846

This act, better known as the Walker tariff, was passed the same year the "corn laws" were repealed in England, both countries being on the way to free

trade (meaning thereby a tariff for revenue only). Taussig does not consider this tariff as a free trade tariff, but rather as a tariff that effected no more than some moderation in the application of protection. What a howl would now go up from the protectionists of this country at a tariff act that should seek to bring about a similar "moderation in the application of protection!"

For the first time the tariff was divided into lettered schedules, all the articles in one schedule paying the same rate of import duty. Articles in Schedule A were to pay one hundred per cent; those in Schedule B, forty per cent; those in Schedule C, thirty per cent, and those in Schedule D, twenty-five per cent. Schedule C included iron and other metals, manufactures of metals, wool and woolens, etc., and Schedule C included cotton goods. Tea and coffee were admitted free. Again the principle of horizontal reduction was applied, but with more intelligence and discrimination.

It was estimated that this tariff would yield a revenue of twenty million dollars, but in 1856 the revenue under it was sixty million dollars. Of course, to the extent that it yielded a revenue it was not protective, and thus Taussig's opinion is justified. When protectionists point out the large amount of revenue their protective tariffs yield they are inconsistent. The only consistent protectionist is the one who always claims that duties should be raised when-

ever they yield revenue. It cannot be too strongly insisted upon that revenue and protection are inconsistent. If a tariff really "protects" it yields no revenue. If a tariff yields a revenue it does not "protect." One year lately one pound of copper was imported and paid a duty of five cents. That tariff really "protected" copper, and made every American consumer pay the same price as if he imported his copper, to the enrichment of the copper mine owners, the depletion of our natural supply, and the loss of revenue by our government, while the immense quantities of copper sent abroad were sold at a lower price to all foreigners. Such is protection!

All the chief commercial cities of the country increased greatly in population from 1840 to 1850 and the whole country enjoyed a period of great development and prosperity. I will not follow the bad reasoning of protectionists and claim that this was all due to the tariff. The causes of national prosperity and depression are too many, too intricate and profound, too unknown, and, perhaps, unknowable, for anyone to pick out one cause, the tariff, and to make it the one and only cause of our prosperity, our panics, and our periods of depression.

THE TARIFF OF 1857

The increasing surplus was the chief cause of still

further reductions in the tariff of 1857. Blaine, in *Twenty Years in Congress*, says:

The principles embodied in the tariff of 1846 seemed for the time to be so entirely vindicated and approved that resistance to it ceased, not only among the people, but among protection economists, and even among the manufacturers, to a large extent. So general was the acquiescence that in 1856 a protective tariff was not even suggested or even hinted at by any one of the three parties which presented presidential candidates. . . . The Act was well received by the people, and was indeed concurred in by a considerable proportion of the Republican party.

This tariff was voted for by one Senator from each of the states of Maine, New Hampshire, and Rhode Island, and by both Senators from Vermont, Connecticut, and Massachusetts—staunch Republicans. Sumner left his sick bed at home and went to Washington to vote for the measure. Wilson, supporting the bill in the Senate, said:

We of New England believe that hemp, flax, silk, lead, tin, copper, hides, linseed, and other articles should be duty free. We are for the reduction of the revenue to the actual wants of an economical administration of the Government for the depletion of the Treasury, now full of hoarded gold.

It is refreshing to dwell for a few moments upon a period in the history of our tariff legislation when the nation was not so tariff-mad as it has since become.

Politics did not enter into the question when this tariff was adopted, for there was a general agreement that a reduction was necessary. The members from Pennsylvania were the only ones showing any desire to the contrary. The division into schedules and *ad valorem* duties, as in the act of 1846, was retained. Cotton goods were transferred to Schedule C, with a duty of twenty-four per cent, and certain raw materials were admitted free.*

From this examination of the alleged necessity for protection in this country, after study of Stanwood's forceful book, written from the point of view of a protectionist, with study of Taussig's impartial book, written from the point of view of a free trader, one believing in a tariff for revenue only, the conclusion is forced upon us that in the three great industries of cotton, wool, and iron (including steel) there has been no necessity for protection for nearly a century. We had outgrown all necessity for protection and were on the road to a real tariff for revenue only. There was no economic reason for a return to protection.

*Limitation of time and space prevent our following the history of the changes in our tariff system since 1857. It may be found in Stanwood's work on the tariff, Taussig's *Tariff History of the United States*, and Miss Tarbell's *The Tariff in Our Times*.

CHAPTER XVII

THE REMEDY

A GENERAL HALLUCINATION IN FAVOR OF PROTECTION OBSESSES THE AMERICAN PEOPLE

SO possessed of the hallucination in belief in protection have we become that there are immense areas in our country where protection is accepted without question (and, of course, without knowledge) as part of the established order of things, like the rising of the sun or the Christian religion, and the daring individual who would question either of these settled things would be looked upon as more or less wanting. In these areas of our country no school book is used that presents any view of economics except that of protection, which is always taken for granted. All Republican officialdom, especially in Washington, has the same attitude on the subject. Information having a favorable bearing on protection is more easily obtained than that bearing on free trade. It may be but natural that almost every ruling in any department of the government extends to the utmost limit in favor of protection. This is particularly so with respect to the vigorous examination the baggage of everyone, even including

Americans returning home, is put through upon entering the country.

The administration in Washington is there to attend to its duties in governing the country, yet it has found time to warn the Iron and Steel Trust of the danger it was running in selling here for thirty-five dollars what it sold abroad for twenty-two dollars a ton.

DECADENCE OF THE REPUBLICAN PARTY

It is only a few years ago that a photograph was taken of Mr. Roosevelt surrounded by some of the leading members of the Republican National Committee, possibly members of the Executive Committee, all standing on the steps of the White House. It required but little knowledge of current events in the country at large to enable one to realize that among the group thus standing with the man now posing as the leader of a reform movement were several men who, if they had received their just deserts, would have served a sentence in prison. To this pass, principally through the corrupting influence of protectionism, the alliance of big business interests and politics, has come the great party of moral ideas, the Republican party, that saved the Union and emancipated the slaves!

The tone of lofty superiority and complacent conceit of protectionism was well illustrated by the attitude of Chairman Payne when tariff hearings

were held in 1909 before the Committee on Ways and Means. If a witness showed a disposition towards any reduction in duties he was discourteously hectored and bullied, unless he were a man like Carnegie, of too great character and influence to be so treated. Senator Bacon said, in a speech before the Senate, May 7, 1909:

If any Senator stands in his place and suggests that a certain rate of duty is the proper revenue rate, he is met with jeers and laughter and sneers by Senators on the other side who recognize that a tariff law is nothing but the means by which to despoil the public and distribute the spoils among favorites. They have become so absolutely wedded to the idea that the chief and only function of a tariff bill is a means to gather spoils from the people and distribute them among the protected industries carried on by private personal enterprise, which it sought to thus enrich at the public expense, that they fail to realize or remember that there can be such a thing as a tariff framed to raise the revenue required by the Government.

THE LACK OF MORALITY IN PROTECTIONISM

Listen to the words of a Republican protectionist, Senator Dolliver:*

Is it possible that a man, because he voted for the Allison tin-plate rate of 1889, and heard poor Mr.

* Cited by Miss Tarbell, *The Tariff in Our Times*, p. 356.

McKinley dedicate the first tin-plate mill in America, can be convicted in this Chamber of treachery to the protective tariff system, if he desires that schedule reëxamined after seeing the feeble enterprise of 1890 grown within a single decade to the full measure of the market place, organized into great corporations, overcapitalized into a speculative trust, and at length unloaded on the United States Steel Company, with a rake-off to the promoters sufficient to buy the Rock Island system? If a transaction like that has made no impression upon the mind of Congress, I expose no secret in saying that it has made a very profound impression on the thought and purpose of the American people. . . . So far as I am concerned, I am through with it. I intend to fight it; . . . I intend to fight without fear—I do not care what may be my political fate. I have had a burdensome and toilsome experience in public life now these twenty-five years. I am beginning to feel the pressure of that burden. I do not propose that the remaining years of my life, whether they be in public affairs or in my private business, shall be given up to a dull consent to the success of all these conspiracies, which do not hesitate before our very eyes to use the law-making power of the United States to multiply their own profits and to fill the market-places with witnesses of their avarice and greed.

Miss Tarbell says:

The history of protection in this country is one long story of injured manhood. Tap it at any point

and you will find it encouraging the base human traits—greed, self-deception, indifference to the claims of others. Take the class chiefly involved in making a tariff bill—the suppliants for protection. We have seen in previous chapters the ends they seek, the methods they employ. What kind of men does this make? It makes men deficient in self-respect, indifferent to the dignity and inviolability of Congress, weak in self-reliance, willing to bribe, barter, and juggle to secure their ends. All this is on the face of the activities of men who run their business through Congress.

Dip into the story of the tariff at any point since the Civil War and you will find wholesale proofs of this bargaining in duties: rates fixed with no more relation to the doctrine of protection than they have to the law of precession of the equinoxes. The actual work of carrying out these bargains is of a nature that would revolt any legislator whose sensitiveness to the moral quality of his acts has not been blunted—who had not entirely eliminated ethical considerations from the business of fixing duties. And this is what the high protectionist lawgiver has come to—a complete repudiation of the idea that right and wrong are involved in tariff bills. There is no man more dangerous, in a position of power, than he who refuses to accept as a working truth the idea that all a man does should make for rightness and soundness, that even the fixing of a tariff rate must be moral. But this is the man the doctrine of protection as we know it produces, and therein lies the

final case against it — men are worse, not better, for its practice.*

PRESIDENT TAFT'S SO-CALLED TARIFF BOARD

In Section 2 of the Payne-Aldrich tariff act of 1909 it is provided that the general tariff rules prescribed in that law shall be the minimum rates; that an additional rate of twenty-five per cent *ad valorem* shall be charged upon all imports until the President, after investigation, shall determine whether any country is discriminating against this country in its tariff, etc.; and at the end of this section there is this provision: "To secure information to assist the President in the discharge of the duties imposed upon him by this section, and the officers of the government in the administration of the customs laws, the President is hereby authorized to employ such persons as may be required."† The President was not authorized to appoint a Tariff Board to report to Congress, etc., but he was merely authorized "to employ such persons as may be required" to enable him to find out whether any foreign country was discriminating against the United States in its tariff laws. The President read into this clause much more than it contained and repeatedly assumed that Congress should not make any changes in the tariff until the particular change should have been investi-

* Tarbell, *The Tariff in Our Times*, pp. 358, 363.

† Document 671, Sixty-first Congress, 2nd Session, p. 771.

gated by these men appointed for another purpose and whom he has chosen to call a Tariff Board. The country at large, misled by the President's assumption, has apparently adopted the mistaken notion that this was a real Tariff Board.

ARBITRARY, UNJUST POWER OF A CONFERENCE COMMITTEE

It seems strange that strong opposition has not been developed against a rule of procedure by Congress that is certainly against common right. I refer to the power exercised by a Conference Committee when the two houses are unable to agree. Thus the House may fix a certain rate in a tariff bill, which rate may be increased or diminished in the Senate by an amendment. There being thus a disagreement between the two houses, the measure goes to a conference committee. One would naturally suppose that the conferees would only have power to report in favor of the lowest rate or the highest rate that passed one chamber or the other, or to report in favor of a rate somewhere between the highest and the lowest. But, no! The conferees may report a rate lower or higher than the lowest or highest proposed. As the report of the conferees cannot be amended, but must be adopted or rejected as a whole, this amounts to giving power to the conferees to fix the rates. Congress might as well leave the

rate to be determined by a joint committee in the first instance, and then, abandoning all power of amendment, adopt or reject the rate determined by that committee. This enormous power in the hands of conferees is exactly what "big business" wants, for it can quietly and without publicity arrange rates as it wants them to be, with the conferees. It can even secure the appointment of its friends on this committee.

The tariff bill of 1883, in consequence of disagreement between the two chambers of Congress, went to a conference committee and their report was presented to the Senate, March 2, only one day later, obviously giving no time for a real attempt to come to an understanding based upon a compromise or settlement of differences. Stanwood tells us:*

There was an outburst of indignation and protest by the Democratic senators at the liberal construction placed by the committee upon its powers. In several instances, particularly in the schedule of iron and steel duties, the committee had reported higher rates of duty than had been voted either by the Senate or by the House. . . . The report was concurred in by a vote of yeas 32, nays 31.

If it be claimed that this was exceptional because the Senate made only one amendment that embraced a whole tariff, there are other instances. Thus,

* *American Tariff Controversies in the Nineteenth Century*, vol. 1, p. 216.

when the Dingley act of 1897 was under consideration, Stanwood says:*

The bill was sent at once to a conference committee which had to consider no less than 872 amendments made by the Senate. The report was made to the House on July 19. About four-fifths of the Senate amendments were agreed to. The general result was that the higher rate of duty was that finally adopted, so that the bill as it was passed established higher rates than either the House or the Senate bill. The conference report was adopted by yeas 187, nays 116.

Other instances could be given, but it is not necessary. Such an arbitrary power in the hands of a temporary conference committee, and thus not responsible for its action, is a complete abrogation of all true Democratic or Republican doctrines of a government of the people, by the people, for the people, and should be stopped.

WHAT IS A CENT TO A CONSUMER?

There are many families in this country (as well as others) living on such small incomes that a rise of a cent in the price of many a necessary article of food and clothing makes a material difference to them. It should be remembered that in every country the great majority, the hard-working, industrious

**American Tariff Controversies in the Nineteenth Century*, vol. 2, p. 388.

men and women, are poor. There are many million families in the United States whose members do not receive an average wage of five hundred dollars a year. To accumulate anything in order to provide against sickness and old age they must practice a thrift that is mean and cruel, without the requisite training, self-denial, and intelligence necessary to real, intelligent thrift. The majority of Congressmen who have fixed the prices of these people's food and clothing for the last half century, through tariff legislation, have no intelligent appreciation of their necessities and limitations. They are only "ultimate consumers," not suffering, struggling men and women, to whom a cent often means a great deal.

Miss Tarbell says:*

If one would know with something like scientific precision what it means for a family to live on \$500 or less a year in a city like New York, for instance; if he would realize the relation of a rise of even a cent in the cost of a necessity to the comfort of the multitude of working girls in this country on \$6.00 and \$8.00 a week, he should study the various investigations recently made into the budgets of these two classes. They demonstrate that if one is to take care of a family of five persons in New York city on \$500 a year, or of himself on a wage of \$6.00 or \$8.00 a week, he must think before he buys a penny newspaper, and he must save and plan for months to get

* *The Tariff in Our Times*, p. 260.

a yearly holiday for the family at Coney Island; that there is practically no possibility of a nest egg or of schooling for the children beyond fourteen years of age, that sickness means debt or charity, and that the accumulation of those things which make for comfort and beauty in a home is out of the question. To these families an increase of a cent in the price of a quart of milk is something like a catastrophe. To these girls, every penny added to the cost of food, of coal, of common articles of clothing, means simply less food, less warmth, less covering, when at the best they never can have enough of any one of these necessities.

HOW A TARIFF SHOULD BE MADE

This was illustrated twenty years ago in a speech by Henry Watterson, as follows:

By the aid of all the best experts and authorities I would get together all the needful statistical data. I would then find a clean sheet of paper. I would lay this on the table—not the little round one, but the big oblong table—in the Ways and Means Committee room. Then I would open the cupboard containing, among other perishable contents, the McKinley bill. I would take this out, none too gently, and pitch it into the fire. Then I would draw upon my clean piece of paper three lines. Thus:

Article	Duty	Revenue
I	I	I
I	I	I
I	I	I

I would begin at the top of the first column with sugar. Then the duty—say, one cent a pound. Then the estimated revenue—say, \$35,000,000. Then I would abolish the sugar bounty, making a difference of \$45,000,000 in the revenue. I would follow with tea and coffee. I would continue, giving precedence as far as possible to revenue-yielding commodities not produced in this country, down through the largest revenue-yielding domestic products—without the least regard to protection, incidental or otherwise—and when I got \$200,000,000 I would stop. Then I would take another bit of white paper, and I would frame an Internal Revenue Act, raising \$175,000,000 on spirits and tobacco—making \$375,000,000 in all; and the rest—\$50,000,000 or \$75,000,000, as the estimate might require—I would raise by a tax, first on inheritance and dividends, and then, if needs required, on big incomes.

Then I would call the committee—the Democratic members of the committee, I mean—and, when any one of them proposed to confuse the simplicity of this perfectly plain Tariff-for-Revenue-only-Act by the old cant about the danger of being too precipitate and extreme, I would knock him out—not down—by saying: Read the National Democratic Platform.

I do not cite this as a perfect model, but rather on account of its common sense and vigorous English. It errs, also, in omitting to dwell upon the necessity of keeping a proper relation between excise duties and tariff duties.

NATIONAL TARIFF COMMISSION ASSOCIATION

This association has for its object, "To promote the creation of a permanent non-partisan Tariff Commission."

At the fourth annual meeting of this association, held in New York, December 3, 1912, the president, John Candler Cobb, delivered the annual address, in which he said, "Congress is the tariff-making body and no commission or board can fulfill its destiny until it is squarely and fully accepted by Congress as a part of its tariff-making machinery."

Following this report it was unanimously resolved:

That the report of the President of the Association is hereby accepted and approved and that this Board reaffirm its advocacy of legislation by Congress designed to create a permanent non-partisan tariff commission, responsible both to Congress and the President, to gather, tabulate, digest, and report technical and statistical facts pertinent to the tariff schedules, for the continuing use of Congress in the framing of the tariff laws, and for the guidance of the President in passing upon tariff bills and in negotiating commercial treaties with other nations, and that we urge that legislation to this end should be enacted by Congress. The necessity for such a commission is imperative, whether or not the tariff is to be immediately revised, upon information procurable by existing methods.

There is no better way to judge of the future than by examining the experience of the past as to the same matter. Judged by this test it does not seem probable that Congress will be guided by the suggestions of a tariff board, however able its members may be and however wise the course it may suggest. For we have had tariff boards in the past composed of able members and they have made wise suggestions which Congress has seen fit to disregard. Is there any reason to suppose it will not continue to disregard the suggestions of a tariff board? For there is always the danger that, however thoroughgoing may be the professions of members of Congress in favor of free trade (meaning a tariff for revenue only), there will always be some renegades among them who will desert their professed principles to secure protection for something in their own state or district, without whose support and votes they cannot continue long in Congress.

It may be that the treachery of these renegades can be prevented by passing only one short tariff act at a session, one that shall deal with only one class of duties. This would prevent the usual log-rolling by which protection is secured for the particular industry in a member's district in return for protection accorded to another industry in the other member's district, thus securing protection for both contrary to the will of the majority against protection in the abstract. Or it may be necessary to

introduce a complete, scientific tariff act covering the whole ground, framed by disinterested experts, and to secure its adoption or rejection as a whole, without amendment, by a vote to that effect first passed by both Houses.

WHAT TARIFF REFORM IS

Tariff reform calls for more than lowering a duty here and there, more than appointing a tariff board, more than negotiating a reciprocity treaty, good as all these may be. It calls for an intellectual and moral revolt against the entire system of protection as we know it. No leader can accomplish the work needed who does not go to the fight hot with indignation at the intellectual jugglery which has swamped the protective principle and weakened the country's capacity for sound political thinking and its keenness for distinguishing moral values. Never until such a revolt comes will the clutch of the greedy beneficiaries of the system be wrenched loose. The wrong done to mind and morals is a far more serious matter than any damming up of trade the policy produces. That at most can endure but a few generations. The laws of trade are too powerful to be long interrupted by unnatural barriers like prohibitive tariffs. They finally flow over them as a river over a dam, and eventually toss them aside like the drift they are. That is, all tampering with liberty and truth comes sooner or later to naught. True, in the meantime the people bear the burden. True, the end of all industrial progress—that is, the fair distribution of a

production sufficient to keep in health and happiness the people of all the earth—is put off; but that is less serious than the deterioration of intellectual and moral integrity which it has required to build up our dishonest and inhuman tariff laws.*

THE REMEDY

It must be borne in mind in everything that is done in tariff reduction, that our ultimate aim is a tariff for revenue only. If on the way to that end, protection, incidental or otherwise, still is allowed to continue, it is only as a necessary and incidental evil, tolerated only out of a tender regard for vested interests. If any mistake is made, it should be rather in too tender regard for industries that, although they are pauper industries, have been undertaken because of the over-protection extended to them during the last half century, and this entitles them to consideration in making changes in the tariff, even though so extended at their own request. Nor must we forget that the reduction and removal of excise duties without reduction of tariff duties at the same time on the same products has resulted in total disregard of the relation between the two. We must, therefore, look also to the re-imposition of internal revenue duties. The first thing to be done is to enlarge the free list, especially as to articles that yield little or no duties. Next there

* Tarbell, *The Tariff in Our Times*, p. 329.

should be unflinching, substantial reductions all along the line on the textile industries in cotton and wool and in iron, steel and copper industries that have been over-protected ever since the Civil War. Here horizontal reductions extending over a series of years will ease those who are still carrying on business as pauper industries, while those who are not carrying on business as pauper industries certainly do not need protection. All "jokers," misleading rates and discriminations should be removed and the whole tariff should be put in plain language that all can understand. Surely if such an instrument as the Constitution can be and is so written, a tariff act can be also. Yet it has not yet been done, not at least since protectionism has overridden everything.

While it is often stated that the highest taxes should be placed on articles of luxury and the lowest upon the necessities of life that all use, it must be remembered that this will not bring in either a large revenue or a regular one, as will taxes on articles that everyone uses. A combination of both systems is therefore necessary.

It is further evident that an income tax has become a necessity if we are to continue the enormous and increasing expenditures of our federal government. This is inevitable, but is nevertheless greatly to be regretted, for an income tax calls for submission of every one's private affairs to the scrutiny of

a set of office holders, to whom one would never otherwise think of submitting them, men too often holding their little offices as their reward for political work done for their superiors. Such submission of one's private accounts to such petty office holders is not in accord with our notions of personal liberty and freedom from control by the Government in the conduct of our own business. Perhaps the difficulty will be remedied by the selection of men of better character for these offices through civil service examinations.

I have not gone into an examination of the vexed questions of specific and *ad valorem* duties because I do not consider that they have to do with protection or free trade. There are protectionists who insist upon specific duties, and there are protectionists who insist upon *ad valorem* duties, just as there are free traders (meaning those who stand for a tariff for revenue only) who insist upon specific duties and there are free traders who insist upon *ad valorem* duties. It is probable that, as in the past, experts who must necessarily be called upon to complete the details of any tariff act, will advise a judicious combination of specific and *ad valorem* duties.

DIFFERENT KINDS OF HORIZONTAL REDUCTION

There are many different plans for horizontal reduction. Suppose, for instance, that all articles

placed in one schedule or list undergo a reduction of five per cent from the present rates for the next ten years; that all articles placed in another list undergo a reduction of ten per cent from the present rates for five years; that articles in another list undergo a reduction of fifteen per cent from the present rates for the next four years; that articles in another list undergo a reduction of twenty per cent from the present rates for the next three years, etc.

Some kind of an automatic horizontal reduction scheme may be devised under which the rates of duty in certain schedules would be lower (or higher) from year to year (or other period of time) in proportion to the revenue yielded during a past period from those articles. After a few such reductions, the information furnished by the results would enable Congress to estimate more accurately than is now possible the revenue for future years. This is a prime necessity in the intelligent preparation of a budget of probable receipts and expenditures.

Or, suppose imports were divided into schedules or classes, putting into the same class in each case those articles on which duties should be alike. Suppose on all articles in class 1 there should be a horizontal reduction in duties of two per cent per annum for — years; on all articles in class 2 there should be a horizontal reduction of duties of three per cent per annum for — years, and so on through

the list until, at the end of the list, on all articles in class 49, there should be a horizontal reduction of duties of fifty per cent on present rates. Of course there will be great objection made to such a plan—but what plan would there not be objection to? It is evident that no plan can succeed until the majority in favor of reduction is so large that no defection for the purpose of securing protection on the particular product of one district or even of several districts could defeat the measure as a whole, or force surrender to such local demands.

HORIZONTAL REDUCTION

The Compromise tariff of 1833 did away with some of the bad features of the tariff of abominations of 1828, by a horizontal reduction of all duties above twenty per cent, gradually, until they should be reduced to twenty per cent. In 1846 the Walker tariff made horizontal reductions. The Dawes bill of 1872, a thoroughly Republican measure proposed by a sound Republican protectionist, made horizontal reductions of ten per cent all along the line. Yet when horizontal reduction was proposed by Morrison in 1884, a howl went up from protectionists who were by this time on the road to "protection for protection's sake." It was vehemently denounced by them as crude, vicious, visionary, revolutionary, wicked, cruel, unscientific, and theoretical,

although they had supported it when submitted as part of the Dawes bill. One objection to horizontal reduction is that it can be easily revoked by a later Congress without arousing public attention, as happened in 1875, when the ten per cent reductions of 1872 were repealed. However, this would not be so easy, now that the attention of the country is aroused to the tariff.

Notwithstanding the liability of a system of horizontal reduction to repeal, the fact that the system of such reductions in the compromise tariff of 1833 continued in force and the reductions were regularly made until 1842 shows that practically such a plan works well. It has the further advantage of not barring a change should occasion arise.

Horizontal reduction was applied again in the Walker tariff of 1846. Other instances of at least partial horizontal reduction in duties come to light upon studying past tariffs. Thus, in the act of 1819 a horizontal reduction on all woolens from the prevailing rate of twenty-five per cent to a uniform rate of twenty per cent was made. It seems probable that the vigorous opposition to horizontal reduction in 1884, when compared with the little objection to such a reduction in the Dawes bill of 1872 was due to the increasing boldness of protectionism in opposing any suggestion of a change looking to reduced duties, rather than to any inherent fault in the horizontal reduction itself. Perhaps the

system is capable of application in a different way from any yet suggested, as indicated above.

HOW TO GET RID OF PROTECTION

At the end of the Civil War there was not only an enormous debt, there was a premium on gold, and it continued for years. We had suspended specie payments and the problem was how to get rid of the premium and resume payments in specie. We were told that the way to resume was to resume, and we decided to try it. When the time came we woke up the next morning and found everything going on just as if nothing had happened. Is it not equally true that the way to get rid of protection is to throw it off? That is what we did in this country when we adopted our Constitution. Stanwood says: "Great Britain passed within a few years from the state of the most tariff-protected community to one of almost absolute free trade."* Although a protectionist, he makes no claim that Great Britain was injured thereby.

If we, a weak, young nation when first born, were able to throw aside all protection among the states, without injury to any one, now that we are one of the most powerful of all nations, if not the most powerful nation on earth, cannot do what England

**American Tariff Controversies in the Nineteenth Century*, vol. I, p. 4.

did when she was a much less rich, powerful, and populous country than we now are, then indeed our condition is lamentable. The plain English of it all is that there is a great deal of nonsense and humbug in the talk about the necessity of a slow, gradual reduction of the tariff until we get down to a free trade basis (meaning a tariff for revenue only). Of course the notion is encouraged by protectionists and their organs. I am inclined to think, however, that the basis for the belief is less founded upon protectionist views than upon the innate conservatism of the American people, that, under the careful, skillful, long-continued misrepresentations of protectionists, has led them to think that downward revision of the tariff must be gradual or injury would result. In saying this, I wish it distinctly understood that I am not in favor of great and sudden reductions in our tariff duties. In deference to public opinion and the possibility of injury to vested manufacturing interests, I agree that reductions must not be great nor sudden. There is no danger they will be too great nor too sudden. The army of lobbyists in Washington, and of Congressmen with a very tender and peculiar regard for the interests of their own constituents (without which they would not be in Congress), will effectually preserve all vested rights from injury, whatever happens. But there is no lobby representing the interests of the consumers of the country, and all too

many Congressmen who want free trade in everything except in herrings. There are few who are real statesmen and can rise to the occasion and insist upon the adoption of a policy that will finally result in free trade (meaning a tariff for revenue only).

What is needed more than anything is the arousing the American people to the benefits to the whole country by the substitution of a free trade policy (meaning thereby a tariff for revenue only) in the place of the false, debasing, corrupting, enervating policy of protection that has almost succeeded in making us the economic slaves of the great trusts and other corporations. Let us put an end to the political immorality, the intellectual atrophy, and the selfish greed of protectionism.

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